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Hearings. v. 1-2, 1960



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ROYAL COMMISSION

ON

COAL

UNCORRECTED TRANSCRIPT
Royal Commission on Coal(1959)

HEARINGS

HELD AT

REGINA, SASK.

VOLUME No.:

1

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1
2 ROYAL COMMISSION ON COAL

3
4 Proceedings of hearings
5 held in the Legislative
6 Chambers, at Regina,
7 Saskatchewan, on the 2nd
8 day of February, 1960,
9 at 10 a.m.
10
11

12 HON. I. C. RAND, Q.C., Chairman

13
14 DR. A. E. CAMERON, Technical Advisor
15 to the Commission
16

17 COMMISSION COUNSEL

18
19 Mr. W. A. Dunn, Q. C.
20
21

22
23
24
25 Mr. W. Keith Buck Secretary

26
27 Mr. J. J. Ellis Administrative Officer
28
29
30



1 DR. CAMERON: Mr. Chairman, I believe
2 Hon. Brockelbank will present the brief on behalf of
3 the Government of Saskatchewan.

4 THE CHAIRMAN: Yes. Mr. Brockelbank, we
5 have all seen copies of the particular terms of refer-
6 ence into which we are inquiring and they embrace all
7 the significant features of coal production, so there
8 is virtually no limit upon which the discussion may
9 range.

10 Now, I think, Mr. Brockelbank, if you will be
11 good enough to speak on behalf of the Province, we would
12 be obliged.

13
14 ---EXHIBIT NO. 1: Submission of
15 Province of Saskatchewan.
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SUBMISSION OF

THE GOVERNMENT OF SASKATCHEWAN

APPEARANCES:

Hon. J. H. Brockelbank,
Minister of Mineral Resources

MR. BROCKELBANK: Thank you, Mr. Chairman.

First of all, before I commence to read the brief, I would like to say on behalf of the Government a word of welcome to you, sir, and to your staff. I hope you will find the facilities available here quite satisfactory to you.

1. INTRODUCTION

Since 1892 coal has been produced continuously in Saskatchewan and has provided a steady source of low cost fuel. This is indicated by the increase in production figures, for in that year some 5,400 tons were mined while production in 1958 was 2,254,048 tons.

From 1930 to 1958 coal consumption and production for Canada declined, while during the same period production from Saskatchewan mines increased steadily. Changes in Saskatchewan's mining techniques coupled with introduction of efficient up-to-date mining equipment have kept the price of lignite in a range where it can be competitive with natural gas within a certain radius of the Estevan coal field. Using underground mining methods, a maximum of five tons of coal per man-day was obtained, while with strip mining the productivity per man-day for November 1959, was 31.6 tons.

2. COAL DEPOSITS

Large areas of southern, western and north



1 central Saskatchewan, south of the Canadian Shield are
2 underlain with coal-bearing formations. These formations
3 are either tertiary or cretaceous age. In southern
4 Saskatchewan the coal seams occur in the Ravenscrag
5 formations of the tertiary, while those in the western
6 part of the Province are to be found in the Belly River
7 formation of the Upper Cretaceous and those of the north
8 central section are in the Blairmore formation or
9 equivalent formations of Lower Cretaceous age. The
10 accompanying maps show the distribution of coal deposits
11 in the Province.

12 All the coal produced in Saskatchewan is
13 lignite. Lignite belongs to the lowest rank of coals
14 according to the A.S.T.M. classification. In the classi-
15 fication by rank as shown in Table I, high rank coals
16 are classified primarily according to the percentage of
17 fixed carbon in the dry and mineral-matter-free coal;
18 while the lower rank coals are classified according to
19 the heat value of the mineral-matter-free coal on the
20 basis of natural moisture content.

21 At the present time, all coal production in
22 the Province comes from the Ravenscrag formation in the
23 Estevan area of southern Saskatchewan. In the Estevan
24 field there are four seams which can be mined by strip
25 mining. The uppermost seam, the Frayne seam, which has
26 an average thickness of five feet is found in the
27 highest ground south of the Souris River and covers a
28 maximum of 20 square miles. The second seam, the Roche
29 Percee seam, with an average thickness of five feet,
30



underlies an area of approximately 20 square miles south of the Souris River. Number three seam, known as the Estevan seam, which has an average thickness of seven feet lies north of the Souris River and underlies about 94 square miles. The fourth seam, the Taylorton seam, with an average thickness of ten feet is the most extensive of the four seams and covers approximately 150 square miles. In some areas there is only one mineable seam, while in others there may be two. Locally, coal seams may range in thickness from 2 to 15 feet, or may be entirely absent due to erosion or non-deposition.

3. COAL RESERVES

Large areas of southern Saskatchewan are underlain by coal but in many of these areas little is known with respect to potentiality. Some of this coal is found in the Belly River formation in western Saskatchewan. Unexplored lignite coal deposits of cretaceous age are known to outcrop north of Prince Albert, south of Lac La Ronge and Wapawekka Lake, as well as occur at depth in the Choiceland, Montreal Lake, and Meadow Lake areas where they have been pierced by oil well drilling. However, in these areas the coal was encountered at a depth of 600 feet or greater. At the present time, the Estevan area is the only one where coal can be produced economically as the coal can be mined by strip methods.

In 1946, Dr. D. R. MacKay estimated the coal reserves in Saskatchewan for the Federal Royal Commission on coal. Since that time there has been little change in



his figures which are set out in Table II.

4. PRODUCTION

In 1948, 89 per cent of the coal production came from strip mines. This figure steadily increased and for the past few years 100 per cent of the production has come from strip mines. Production figures for Saskatchewan over the past ten years are as follows:

MR. BROCKELBANK: I don't think it will be necessary to read the tables, sir.

THE CHAIRMAN: No.

Saskatchewan Coal Production

<u>Year</u>	<u>Short Tons</u>
1949	1,870,587
1950	2,187,439
1951	2,235,509
1952	2,081,833
1953	2,024,794
1954	2,114,932
1955	2,294,987
1956	2,343,136
1957	2,248,776
1958	2,254,048

MR. BROCKELBANK: 5. Coal Sales Distribution

Coal production in Saskatchewan is mainly sold in three provinces, namely, Manitoba, Saskatchewan and Ontario with a small amount going to the United States of America. Table III gives the Saskatchewan coal sales distribution for the years 1949 to 1958.

There has been a changing pattern of the



distribution of coal sales over the years. From 1930 to 1938 sales in Saskatchewan exceeded sales to Manitoba by a small margin but since 1939 Manitoba has consumed a larger share of the coal. In 1939, 48 per cent of the sales were made in Saskatchewan compared with 50 per cent in Manitoba, while in 1949, 37.1 per cent of sales were made in Saskatchewan and 57.5 per cent in Manitoba. In 1958, 39.2 per cent of the sales were made in Saskatchewan and 50.9 per cent in Manitoba. Up to and including 1948 only small shipments were made in Ontario. However, in 1949 the Ontario sales amounted to 5.2 per cent and in 1956 rose to 12 per cent, while in 1958 they amounted to 9.4 per cent of the total sales.

6. Production and Productivity

In order to stay in business the coal producers in Saskatchewan have had to keep their production costs down to a minimum. The following is the average operating cost and profit per ton as well as the productivity per man for the years 1949 to 1956 as quoted by the Dominion Coal Board.

MR. BROCKELBANK: Again, I think the table is something we can pass over.

THE CHAIRMAN: Yes.

Saskatchewan Coal Mines Operating
Costs and Revenues per Ton

Year	Operating Cost	Revenue	Profit	Tons produced per Man-Day
1949	\$ 1.62	\$ 2.01	\$.39	20.88
1950	1.61	1.98	.37	23.99
1951	1.59	2.01	.42	22.66
1952	1.70	2.06	.36	22.23
1953	1.71	2.05	.34	23.28
1954	1.75	2.01	.26	24.93
1955	1.70	2.03	.33	26.39
1956	1.67	2.07	.40	25.81



1 MR. BROCKELBANK: During the period 1949 to
2 1956 the total cost of lignite F.O.B. mine increased only
3 five cents from \$1.62 to \$1.67. At the same time the
4 sale price had increased by only six cents from \$2.01
5 to \$2.07. This is an increase in profits of one cent over
6 a period of seven years.

7 Improvements in productivity resulted in reduc-
8 tion of mine costs from \$1.05 to \$0.87 per ton, while costs
9 such as power, taxes and insurance increased. The cost
10 of labour which is the largest single item in the mine
11 costs was reduced from 0.69 to 0.46 per ton. Produc-
12 tivity rose from 20.88 tons per man-day in 1949 to 25.81
13 tons per man-day in 1956 and in November 1959 reached
14 31.6 tons per man-day. In comparison the average out-
15 put per man-day for all mines in Alberta and British
16 Columbia during 1956 was 5.0 tons per man-day, while
17 the Canadian average was 3.8 tons.

18 The significance of the above statistics is
19 that there has been little increase in the price of
20 Saskatchewan lignite at the mine in the last eight to
21 ten years despite the continually increasing costs of
22 all items. Saskatchewan production costs are the
23 lowest in Canada. The low sales price of lignite has
24 been maintained through the use of larger and more
25 efficient equipment which has increased the production
26 per man-day. An example of the equipment used by the
27 operators is a drag-line which is one of the largest
28 in the world. As a result of these low operating costs,
29 Saskatchewan lignite is important because of its low
30



1 cost per million B.T.U. At the average price received at
2 the mine the cost per million B.T.U. is less than 15
3 cents. Even with freight added the cost F.O.B. cars
4 at destination is generally less than 35 cents per
5 million B.T.U. However, there are limits beyond which
6 a producer cannot go with regards to the amount of coal
7 produced per man-day and the maintenance of the present
8 price of the coal, when other costs such as freight,
9 labour etc. continue to rise.

10 7. FREIGHT RATES

11 The coal industry's competitive position is
12 rendered difficult by the higher transportation and
13 handling charges levied against coal compared with
14 those which apply in the case of petroleum and natural
15 gas. For example, the cost per million of B.T.U. railway
16 transportation of coal from Alberta to central Saskat-
17 chewan is approximately three times that of transporting
18 natural gas by pipeline. The cost of moving petroleum
19 by pipeline is even less than the cost of transporting
20 gas. In most cases the cost of transporting coal is
21 more than the cost of the coal at the mine. Since 1930,
22 assistance to the Saskatchewan coal industry has been
23 given by the Federal Government in the form of freight
24 subvention. Last year this subsidy was 20 per cent of
25 the freight rate with a maximum payment of \$1.00 per
26 ton on shipments of Saskatchewan coal for industrial
27 use to points in the Province of Ontario. There are no
28 subventions paid on coal shipped from Saskatchewan to
29 Manitoba.
30



8. PRESENT MARKETS

The principal market for Saskatchewan lignite at the present time is in the field of electric power generation. The Government of Saskatchewan, realizing the importance of using coal for thermal power generation, located the Boundary Dam Generating Station in the Estevan area. This station will use large quantities of lignite coal from that area. Much of the coal shipped to Manitoba is for thermal power generation. Other uses of coal are for steam generation and heating in heavy industry in Manitoba and Ontario. An increased use of natural gas in urban centres, together with an increased use of oil burning equipment as electricity becomes available to farmers, has resulted in a decreased use of lignite as a domestic fuel. Briquettes are made by one coal company at Estevan and are sold for domestic purposes.

Coal is one of the oldest and most common sources of energy known to man and is still a vital factor in the economic welfare of Canada. More recent energy sources such as hydro electricity, petroleum and natural gas have advantages over coal as an energy source simply because they can be transported by power or pipe line cheaply. These apparent advantages have a tendency to conceal the main disadvantages of these energy sources namely, a limited source of supply in terms of power sites or known reserves.



1 There is no doubt it is in the best interests
2 of Canada that public money be spent to develop energy
3 producing projects such as atomic power plants, the St.
4 Lawrence Seaway, the Beechwood Hydro Development and
5 the Columbia River project, but in doing so the welfare
6 of the coal industry and the great reserves of energy in
7 coal should not be forgotten. Coal mines which will be
8 forever lost if once abandoned should not be casually
9 closed. Most careful consideration should be given to
10 this question before decisions are made which will result
11 in ultimate losses from our total energy reserves.

12 It is quite certain that all of our energy
13 sources will be needed in the not distant future.
14 Temporary closing of coal mines caused by presently
15 available fuels at bargain prices should be avoided if
16 possible. The Government of Saskatchewan believes that
17 a national energy policy is required which will conserve
18 to the greatest extent possible all our energy resources,
19 will provide for the best use of those resources and will
20 avoid to the greatest extent possible dislocation and
21 trouble in the venerable coal industry. It also believes
22 that in order to administer such a policy as many as pos-
23 sible of the separate activities now going on in this
24 field should be consolidated in one agency.

25 Such a policy could include not only subventions
26 to assist in the transportation of coal, but also some
27 form of assistance to encourage long distance transmission
28 of electrical energy generated from coal at the coal
29 fields. Research directed toward finding new uses for
30



1 coal and better efficiency in old uses and other lines
2 to enhance the value of our coal resources should be
3 continued. It is very desirable that the coal industry
4 be maintained in a position of flexibility so that in
5 any emergency production could be rapidly increased.

6 Respectfully submitted on behalf of the
7 Government of Saskatchewan.

8 Then, Mr. Commissioner, you will find the two
9 maps that were referred to in the text and the tables
10 referred to in the text, Tables I, II and III.

11 Thank you, sir.

12 THE CHAIRMAN: Thank you, Mr. Brockelbank.

13 Any questions that any interested party
14 would like to put to Mr. Brockelbank?

15 MR. DUNN: Mr. Chairman, may I ask a question
16 or two, please?

17 THE CHAIRMAN: Yes.

18 MR. DUNN: Mr. Brockelbank, on page 9 of
19 the brief which you just read -- would you be in a
20 position to tell the Commissioner all about how much
21 coal per year the Boundary Dam Station might use?
22 Perhaps you may not be in that position.

23 MR. BROCKELBANK: I certainly can't give you
24 guaranteed accurate figures, but I have heard tossed
25 around the figure of a million tons, when the plant
26 is completed. At the present time we are putting in
27 two units in the plant, and there will be two more when
28 it is completed. When they will go in, I can't say,
29 but there has been some talk of somewhere in the
30



1 neighbourhood of a million tons when the plant is
2 running.

3 THE CHAIRMAN: That coal will be produced
4 from the Provincial Government's coal, minerals?

5 MR. BROCKELBANK: Yes. The Power Corpora-
6 tion has actually bought, in many cases from private
7 owners -- as a matter of fact, in all cases from private
8 owners -- certain coal rights adjacent to the plant
9 which they intend to mine there right beside the plant
10 for use.

11 MR. DUNN: Then again, sir, page 10 I read:

12 "Coal mines which will be forever lost if
13 once abandoned should not be casually closed."

14 Well, strip mining is the mining in this
15 particular territory; right?

16 MR. BROCKELBANK: Yes.

17 MR. DUNN: And if a strip mine is closed,
18 can it be opened quite readily, or does it entail con-
19 siderable work for the reopening?

20 MR. BROCKELBANK: I am not a miner, but I
21 think it can be opened quite readily. But this part
22 of the brief from which you quote refers to the Canadian
23 seam, and although we are Western, we are still
24 interested and we are interested in the Canadian picture
25 generally -- Nova Scotia in particular.

26 MR. DUNN: Then again, sir, quoting from
27 the bottom of page 10, at the top of page 11:

28 "It also believes that in order to administer
29 such a policy as many as possible of the separate
30



1 activities now going on in this field should be con-
2 solidated in one agency."

3 Could you enlarge on that, perhaps, and tell
4 us what agency you had in mind?

5 MR. BROCKELBANK: Well, when we were study-
6 ing the situation for the purpose of making a presenta-
7 tion to the Royal Commission on Energy, we found, and
8 as I think many other people found, that there were
9 many agencies in the Federal Government concerned with
10 energy, some with one form and some with another form,
11 and it is our opinion that a logical policy must take
12 into account all sources of energy, so that there must
13 be some tying together in one agency: the responsibility
14 for recommending policy to the Government and for
15 carrying it out. Now, what agency, whether it should
16 be the Department of Mines or a special department,
17 doesn't matter much.

18 THE CHAIRMAN: What would you think of the
19 function of the National Energy Board that has been
20 set up? Would that be the sort of consolidation you
21 have in mind?

22 MR. BROCKELBANK: Well, I imagine the
23 National Energy Board can develop either as a regu-
24 latory board, a semi-judicial organization, or an
25 administrative body; and to fulfil this need, I
26 think it would have to develop fully as an administra-
27 tive body as well as in the other way. Now, that is
28 a matter for a Government to consider, whether they
29 want this type of a board to develop the administrative
30 organization.



1 THE CHAIRMAN: I am personally inclined
2 to elaborate into generalities something concrete.
3 Have you thought of it in terms sufficiently specific
4 to illustrate in any way what you have in mind, because
5 it may be of importance?

6 MR. BROCKELBANK: Well, my own opinion is
7 that -- and I am certainly quoting my own opinion now,
8 because this is a matter we have never discussed --
9 the best way is to have boards of this type which have
10 to make judgments and decisions confined to that field
11 rather than to get into the administrative field.

12 THE CHAIRMAN: Would you, for instance,
13 have certain allocations of use to the different forms
14 of energy and limit them to those particular forms:
15 electricity one, gas another, oil another, coal another?

16 MR. BROCKELBANK: I don't think you can in
17 this country just tell people what fuel they are going
18 to burn to warm their house or their store or their
19 plant, but certainly there can be national policies
20 which will provide at least some incentives to encourage
21 people to use the form of energy which the proper
22 authority considers to be in the best interests of the
23 nation for that particular use. Now, I am thinking of
24 coal subventions, for example. That was a national
25 policy which certainly encouraged, gave the incentive
26 to a lot of consumers, particularly in Central Canada,
27 to use Canadian coal.

28 THE CHAIRMAN: Yes, that was in potential
29 competition with American coal.
30



1 MR. BROCKELBANK: Yes.

2 THE CHAIRMAN: That was one thing -- equalized
3 competition. Would you extend that to make it universal
4 between forms of energy?

5 MR. BROCKELBANK: Well, it is pretty hard to
6 go into detail because every situation you meet is
7 a little bit different.

8 THE CHAIRMAN: I quite agree to that.

9 MR. BROCKELBANK: But certainly -- take our
10 natural gas. It is a premium fuel, a luxury fuel and ---

11 THE CHAIRMAN: From the point of view of what?

12 MR. BROCKELBANK: The consumer -- no ashes
13 to carry off, just turn a little button on the wall; it
14 is very quick, clean. So I think if our Canadian
15 people are going to get the greatest benefits from a
16 fuel like that, then it is important to put this premium
17 luxury fuel to the highest use.

18 THE CHAIRMAN: Highest efficiency.

19 MR. BROCKELBANK: Yes.

20 THE CHAIRMAN: And that would restrict the
21 forms of use.

22 MR. BROCKELBANK: Well, there are some uses
23 where it is essential. Take, for example, in certain
24 industrial uses. Sometimes it is used as raw material
25 in manufacturing.

26 THE CHAIRMAN: I suppose it is a fact that
27 greater efficiency can be realized from gas in certain
28 forms of use than in others. Take for general heating
29 purposes. What do you think of the use of gas for that?
30



1 MR. BROCKELBANK: Well, the average house-
2 holder in Canada is willing, and I think it is demon-
3 strated, to pay a higher price for gas than any other
4 consumer.

5 THE CHAIRMAN: I am thinking from the point
6 of view of utilizing its greatest efficiency. Would
7 you call willingness to use, by furnace, gas in the
8 house as a form of highest efficiency, that is getting
9 the most out of the gas you can?

10 MR. BROCKELBANK: That is a technical
11 question I could not answer. Whether there is a more
12 efficient way of using it, I don't know, for the same
13 purpose.

14 THE CHAIRMAN: I experience some difficulty
15 in just visualizing some form of regulation that can
16 substitute for the competition that exists by virtue
17 of the characteristics or the qualities of the parti-
18 cular energy. People will use gas because it is
19 more convenient.

20 MR. BROCKELBANK: Yes.

21 THE CHAIRMAN: Would you say in this province
22 it would be a matter of a very few years before coal
23 will lose all the domestic market, that is the domestic
24 home heating?

25 MR. BROCKELBANK: Oh, it will be quite a few
26 years, for the simple reason that many of our homes
27 are so located that it is practically impossible to take
28 in another form of fuel to them.
29
30



1 THE CHAIRMAN: What about oil in those
2 districts?

3 MR. BROCKELBANK: Oh yes, oil is in favour.

4 THE CHAIRMAN: And between oil and gas,
5 what position will the coal stand in relation to
6 domestic heating?

7 MR. BROCKELBANK: It will not be in a good
8 position at all as far as domestic heating is concerned
9 in the future.

10 THE CHAIRMAN: About how long would you
11 estimate that will continue?

12 MR. BROCKELBANK: It will depend on oil and
13 gas reserves.

14 THE CHAIRMAN: I quite agree. What time
15 do you put on it? Give us an estimate that you think
16 is well supported by the evidence that you have.

17 MR. BROCKELBANK: Well, the petroleum
18 industry has nearly always had a proven reserve for a
19 number of years, but as time goes on that period of
20 reserves has extended farther ahead and remains
21 approximately the same. Now, I don't think anyone
22 can tell how long that process is going to continue.

23 THE CHAIRMAN: Can you hazard a minimum?

24 MR. BROCKELBANK: Well, I think 30 or 50
25 years, a very minimum.

26 THE CHAIRMAN: 30 to 50?

27 MR. BROCKELBANK: Yes.

28 THE CHAIRMAN: In the light of the discussion,
29 could you suggest anything more specific now as to how
30



1 this organization, this consolidation of administrative
2 action, or whatever it may be called, could be put into
3 force, could be brought about and put into force?

4 MR. BROCKELBANK: Or do you mean, sir, the
5 things it could do?

6 THE CHAIRMAN: Yes. As you suggested
7 consolidated into one agency. I am rather puzzled how
8 to put that into concrete terms.

9 MR. BROCKELBANK: Well, it is important, in
10 our opinion, that the people who have the responsibility
11 for any regulations -- take for example natural gas --
12 are fully conversant with the resources of energy in
13 coal, in Hydro, in oil, and of the problems in those
14 other industries too. This brief mentions what I think
15 is one most important thing. That is that a low grade
16 but very efficient fuel like coal, particularly lignite,
17 but any coal should not be put out of business by a
18 bargain sale of one of these other fuels which is not
19 going to last. That is, in a few years it won't be
20 a bargain.

21 THE CHAIRMAN: Yes, that might be. What do
22 you mean by "putting out of commission"? When you
23 stop mining in the strip form you don't put any mine
24 out of commission.

25 MR. BROCKELBANK: That is not what I was
26 referring to. An industry that is using coal because
27 of low prices over natural gas and then for a relatively
28 short term contract, maybe five years or something like
29 that, is persuaded to convert to natural gas. They get
30



1 some benefits for five years and at the end of the five
2 years they find the price of natural gas is higher.
3 They would be better on coal but they have an investment
4 in their equipment and they will probably stay on
5 natural gas another five years costing them more.

6 THE CHAIRMAN: How are you going to control
7 that?

8 MR. BROCKELBANK: I think it could be con-
9 trolled by an organization like the National Energy
10 Board saying you just cannot sell gas to this kind of
11 a consumer at these prices unless you will guarantee
12 a twenty-year contract or a long-term contract.

13 THE CHAIRMAN: Then you enter into the regu-
14 lation of individual forms of energy?

15 MR. BROCKELBANK: That is right.

16 THE CHAIRMAN: As to their application?

17 MR. BROCKELBANK: Yes.

18 THE CHAIRMAN: How has the increased highly-
19 mechanized mining at Estevan been reflected in the
20 number of persons employed? Perhaps we can get that
21 from the mine owners themselves.

22 MR. BROCKELBANK: Yes. I am sure that the
23 number of employees has gone down.

24 THE CHAIRMAN: Yes, I see.

25 Mr. Dunn, will you excuse me.

26 MR. DUNN: Certainly, Mr. Chairman. I was
27 interested in learning from Mr. Brockelbank if the
28 Government of Saskatchewan was giving any assistance
29 to the coal operators, the strip mine operators. Does
30



1 the Government give any assistance to them at all?

2 MR. BROCKELBANK: No.

3 MR. DUNN: None?

4 MR. BROCKELBANK: None.

5 MR. DUNN: I suppose that also applies to
6 gas and oil?

7 MR. BROCKELBANK: That is right.

8 MR. DUNN: I think that is all I can think
9 of arising out of the brief, Mr. Chairman, thank you.

10 THE CHAIRMAN: Any other questions? Thank
11 you very much, Mr. Brockelbank, for this general
12 statement.

13 MR. BROCKELBANK: Thank you, sir.

14 THE CHAIRMAN: It will be of interest to us.

15
16 ---EXHIBIT NO. 2:

Submission of Great West
Coal Company Limited and their
17 Subsidiaries - Old Mac Coal
Limited and Western Dominion
18 Coal Mines Limited and
Manitoba and Saskatchewan Coal
19 Company (Limited).
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SUBMISSION OF:

GREAT WEST COAL COMPANY LIMITED AND THEIR SUBSIDIARIES -
OLD MAC COAL LIMITED and WESTERN DOMINION
COAL MINES LIMITED

and

MANITOBA AND SASKATCHEWAN COAL COMPANY (LIMITED)

APPEARANCE:

MR. CRAWFORD M. THOMSON Vice-President and
General Manager

THE CHAIRMAN: Mr. Thompson, will you
kindly read your brief.

MR. THOMPSON: SUBMISSION TO THE ROYAL
COMMISSION ON COAL (1959), APPOINTED BY THE COMMITTEE
OF THE PRIVY COUNCIL UNDER PART I OF THE INQUIRIES ACT
BY ORDER-IN-COUNCIL P.C. 1959-1293, DATED OCTOBER 6, 1959

This submission is made on behalf of Great
West Coal Company, Ltd. and their subsidiaries, Old Mac
Coal Co. Ltd., and Western Dominion Coal Mines Limited,
also Manitoba and Saskatchewan Coal Company, (Limited),
producers of over 95% of the coal sold commercially from
the Saskatchewan Coal fields.

HISTORY

Since the production records of the Saskat-
chewan Lignite field are readily available elsewhere,
we will be brief in our outline of its development.
Mining commenced in 1890, with a recorded tonnage of
some 200 tons. By the year 1929, production had
increased to 580,000 tons. The 1,000,000 ton mark was
reached by 1937. The rate of progress remained fairly
steady, and the field reached the two million mark in
1950, when the tonnage was 2,144,106 tons. Yearly



production from that date to the present was as follows:

<u>Year</u>	<u>Production</u>
1951	2,223,372
1952	2,188,390
1953	2,157,612
1954	2,046,821
1955	2,124,398
1956	2,341,641
1957	2,248,812
1958	2,254,048

1958 is the last year for which full figures are available, so it is last quoted. It is apparent that there will be a reduction in the tonnage for the year 1959, but how much we are not in a position to state. From the above it will be seen that until the year 1959 tonnage shipped by the Saskatchewan commercial operators has remained fairly steady for the past eight years.

THE CHAIRMAN: There won't be a very great reduction in 1959?

MR. THOMPSON: I think the figures indicate 1,900,000 tons. They are not accurate yet, sir, and I did not like to include them.

Prior to 1929, all production in the Saskatchewan field had been from underground mining, either shaft or slope. In 1929 strip mining commenced in the field. By 1938, the number of mines in the province had dropped to 134, with 66.6% of the Province's output produced by four companies. In 1946 the number of



mines had dropped to 70, with four companies producing 90.2% of the tonnage of the Province. In that year 87.88% of the output was from strip mining. In 1949 there were some 60 companies producing coal in the Province, but 93.7% of the tonnage was produced by four companies, and 98.64% of the coal produced in the Province was produced by strip mining.

In 1929 there were 592 employees in the Saskatchewan Lignite coal fields. The maximum number employed in 1937 was 932, and in 1948 this had dropped to 428. Our source for these figures is the tables attached to the Report of the Royal Commission on the Coal Industry of Saskatchewan, 1949.

Today there are four companies producing coal in Saskatchewan, all in the Bienfait-Estevan District, representing over 95% of the coal produced commercially in Saskatchewan. In addition coal is produced from lands owned by the Saskatchewan Power Corporation, for their own use. These four companies are Manitoba and Saskatchewan Coal Company (Limited), Old Mac Coal Co. Ltd., and Western Dominion Coal Mines Ltd. (wholly owned and controlled subsidiaries of Great West Coal Co. Ltd.), and North-West Coal Co. Ltd. The first three, making this submission, produce approximately 95% of the commercial coal produced in Saskatchewan.

As an example of what it has entailed to continue producing these tonnages these two companies have made the following capital expenditures:



	<u>Year</u>	<u>Man. and Sask. Coal</u>	<u>Great West Coal</u>
1			
2	1951	\$ 65,262	\$ 631,378
3	1952	156,063	60,588
4	1953	62,436	67,000
5	1954	89,572	25,050
6	1955	76,782	119,278
7	1956	448,344	572,386
8	1957	224,078	165,129
9	1958	148,782	451,828
10	1959	<u>236,684</u>	<u>1,346,115</u>
11		<u>\$1,508,003</u>	<u>\$3,438,752</u>

12 This shows a total expenditure in 9 years of
13 \$4,946,755. In the case of Manitoba and Saskatchewan
14 Coal Company (Limited), this represents 150% of the
15 present investment in the capital stock of the Company,
16 and in the case of Great West Coal Company, it represents
17 320%.

18 These expenditures not only portray prudent
19 management which has kept the plants modern but also
20 have resulted in increased operating efficiency. In
21 the year 1949 the tons-per-man-day produced in
22 Saskatchewan were 20.88. In 1958 this figure had
23 increased to 24.77 tons per man day. These figures are
24 as reported by the Province of Saskatchewan. Again
25 quoting this Report of the Royal Commission on the
26 Coal Industry of Saskatchewan, 1949. In 1929 the output
27 per man-day was 4.60 tons. This increased to 11.62
28 tons per man-day in 1945, and in 1948 it had reached
29 16.52 tons per man-day. The last year of record, 1958,
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showed an average for the year of 24.77 tons per man-day, or an increase in efficiency of almost 50%.

Not as an attempt to make invidious comparisons but to put the Saskatchewan field in its proper perspective, the Report of the Dominion Coal Board for the year 1957-58, the last available to us at this date of writing, gives the following comparison:

	<u>Tons per man-day</u>	<u>Average selling price at Mine</u>
Saskatchewan	25.81	\$ 2.03
Alberta strip	14.53	3.17
Alberta mountain	4.90	6.32
British Columbia	4.16	6.76
Alberta underground	3.88	7.06
New Brunswick	3.62	8.22
Nova Scotia	2.45	10.09
National average	3.80 tons per man-day	7.16

It may be stated that while there were minor variations in different years (generally reductions) prices in the lignite field have remained reasonably stable in post world war II, despite nine general wage increases. Tables can be supplied, if required, but in order to minimize the detail in this submission, perhaps it will be sufficient if the lowest wage rate, and the highest, are quoted. The wages of shovel and dragline operators have increased from \$1.67 per hour in 1951 to the present wage of \$2.15 per hour, or an increase of 48¢ per hour, or some 29%. Common labour increased from \$1.20 per hour to \$1.62 per hour at present, or 42¢ per hour, which is over 33%.



1 In addition the companies have experienced the
2 effects of general inflation in the prices of all other
3 commodities and services which they require and
4 purchase. Notwithstanding they have managed to maintain
5 the average mine price for Saskatchewan Lignite at
6 approximately \$2.00 per ton and during the period
7 mentioned above this represents an increase of
8 approximately 10¢ per ton in the average price at the
9 mine.

10 While mine prices have remained fairly
11 constant, transportation charges have increased dras-
12 tically, and as a result of this the cost of coal to
13 consumers has increased. To illustrate, the increase
14 in transportation costs to Winnipeg, our chief market,
15 is from \$2.30 per ton to \$3.70 per ton for domestic
16 sizes, or 60.9%, and from \$2.30 per ton to \$3.30
17 per ton for industrial sizes, or 43.5%.

18 Perhaps one final word to complete this
19 section of the history of the field is required, and
20 that is the reserves of lignite known, as far as these
21 two companies are concerned. We have proven reserves,
22 mineable under present conditions, of over 80,000,000
23 tons of lignite, or sufficient for over 40 years of
24 operation at present rates. Undoubtedly these reserves
25 will be enlarged through technological development, both
26 from utilization and production.

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MARKETS

Paragraph (a) of the Terms of Reference of the Royal Commission on Coal (1959), directs an enquiry into "the present and future markets for coal as a source of energy in the various regions of Canada".

The natural market for Saskatchewan Lignite can be defined as extending approximately from the City of Moose Jaw on the west to the Lakehead on the east, bounded on the south by the United States boundary, and on the north by the main line of the Canadian Pacific Railway in Saskatchewan, and extending northward to Dauphin in Manitoba. This is the area in which the geographical location of the Saskatchewan Lignite field made it most competitive with the freight rates which were in existence before the horizontal increases were applied.

In the year 1957, out of a total coal available for consumption in Saskatchewan of 1,496,975 tons, Saskatchewan Lignite accounted for 815,354 tons, or approximately 54%, and in 1958, out of a total coal available for consumption in Saskatchewan of 1,478,408 tons, Saskatchewan Lignite accounted for 879,544 tons, or approximately 59%. For Manitoba, in 1957, of a total coal available for consumption of 1,654,509 tons, Saskatchewan Lignite accounted for 1,140,125 tons, or 69%, and in 1958, of a total coal available for consumption in Manitoba of 1,578,328 tons, Saskatchewan Lignite accounted for 1,157,379 tons, or again approximately 73%. This illustrates the importance



1 of the field to the Province of Saskatchewan and
2 Manitoba.

3 Saskatchewan Lignite is both a domestic and
4 an industrial coal, and the same sizes are in many cases
5 used for both purposes. Since in many instances, in-
6 dustrial deliveries are made by retail dealers, it is
7 difficult to segregate the figures to the ultimate
8 in accuracy. However, we estimate, very closely,
9 that approximately 40% of our output is domestic, and
10 approximately 60% is industrial. This is after the
11 post war changes in market have taken place, and is
12 our current position. Fuel oil has been very keen
13 competition, and as a result of this, much tonnage
14 has been lost to it, because of the fact that, despite
15 our efforts to maintain our own prices in face of ever
16 increasing costs, the uncontrollable part of the cost
17 of placing our product at the point of consumption,
18 that is, the freight rate, had so increased as to make
19 our final cost at point of consumption higher than the
20 customer was prepared to pay, in competition with other
21 fuels.

22 Part of our market might be termed a semi-
23 industrial market - apartment blocks, small industries,
24 etc., which entail delivery by a retail coal dealer,
25 or middle-man, between the producer and consumer.
26 In this instance, perhaps the maximum increase in cost
27 has taken place, as not only does the consumer have to
28 bear the increase in freight rates, which has been shown
29 to be very substantial, but he also has to bear the
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1 increase in cost required to meet the additional costs
2 of the retailer, or middle man. Even in this area,
3 we anticipate that since we have been able to survive
4 the competition of oil, we do have a good chance of
5 surviving the competition of natural gas, providing that
6 natural gas is not sold at bargain prices which cannot
7 be continued.

8 In the purely industrial market, that which
9 accepts either car, or in some cases, train-load
10 shipments, we feel that we are most vulnerable to
11 natural gas and residual oil at its present low price
12 competition. This is largely because the incidence of
13 freight rates has impinged most heavily here. As an
14 example of carload lot delivery, before the imposition
15 of the flat rate freight increases, a carlot customer in
16 Winnipeg (where we enjoy no subvention) paid \$3.60 per
17 ton for an industrial size, half inch minus. After the
18 application of all the freight rate increases, the same
19 customer, paying the same mine price for coal, is
20 required to pay \$4.60 per ton for the same coal, or an
21 increase of nearly 28%, in cost. This, of course, is
22 based on our lowest cost coal, which is not capable of
23 being used in all installations. The same comparison
24 made with a universally acceptable size of coal is an
25 increase in cost of from \$4.50 to \$5.50, or an increase
26 of approximately 22%.

27 We are now faced with the competition of
28 natural gas, both by itself, and from residual oil which
29 it has displaced, and which is now being sold at the
30 lowest price in years, due to the over-supply.



1 Attached is a list of the tonnages lost over
2 the past number of years to oil competition, and within
3 the past year, to natural gas. The tonnage in total
4 is staggering, ---

5 I will not read the whole statement, sir,
6 but the total is 1,064,575 tons.

7 THE CHAIRMAN: Just a minute. 1,064,000 tons?

8 MR. THOMPSON: 1,064,000 tons.

9 THE CHAIRMAN: Yes, all right, Mr. Thompson.

10 MR. THOMPSON: --- and to it will be added
11 the domestic tonnage lost, which is most difficult to
12 estimate, as it emanates from so many places that it is
13 not possible to gather the information accurately. We
14 can only say that we are very aware of the lessening
15 domestic market.

16 Over the years, a good part of the domestic
17 market for house heating, has been lost to fuel oil,
18 and latterly, to natural gas. This loss has been met,
19 in part, by our vigorous development of industrial
20 markets, despite the losses shown in the above table,
21 it will be noted that until 1959, the field tonnages have
22 remained relatively stable. This cultivation of the
23 industrial market not only included salesmanship of
24 coal, but also financing and education of customers in
25 the use of new techniques and equipment, to enable
26 Lignite Coal to be utilized to the fullest advantage.
27 This also included a vigorous sales effort which
28 resulted in the use of Lignite in the pulp and paper
29 plants in Northwestern Ontario, such as Kenora, Dryden
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1 and Fort Frances. The movement of Lignite to these points
2 was assisted by subvention, paid by the Dominion Govern-
3 ment. Figures for 1957-58 show that out of the
4 Saskatchewan Lignite production of approximately
5 2,200,000 tons, a subvention was paid on 336,489 tons,
6 in the amount of \$299,462, or an average of 89¢ per ton
7 shipped where subvention applied. It might be pointed out
8 here that this scale of subvention is quite small when it
9 is compared with the National average, where in the
10 same year 3,300,000 tons of coal in total were subject
11 to subvention, in the amount of \$8,320,000, or an
12 average of \$2.77 per ton. It should also be mentioned
13 here that most of this tonnage has now been lost to
14 natural gas, as listed in the table attached, for a total
15 of about 250,000 tons, so that only 80,000 tons of the
16 336,489 tons originally shipped under subvention remains,
17 which, because of higher coal utilization by the plant
18 in question, may possibly be something between 110,000
19 and 120,000 tons this year.

20 Over the years, we have faced and met the
21 competition from fuel oil, both what might be termed
22 'domestic' and residual. However, the competition of
23 natural gas presents an entirely different problem.
24 The industrial market for Lignite coal is particularly
25 vulnerable to natural gas. The reason for the vulne-
26 rability is that as gas distributors can build up their
27 market and their load factors, they are willing to sell
28 industrial gas on what amounts to a firm basis at
29 depressed prices. Later as their markets are built up
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1 and the premium market for gas sales for domestic consump-
2 tion is developed, or other avenues of higher priced
3 gas present themselves, the low-priced industrial market
4 at what amounts to firm prices becomes unattractive.
5 At that stage, the history of the gas industry (and
6 there is no reason to assume that the progression of the
7 industry in Canada will be any different to that else-
8 where) shows that gas will be offered for industrial
9 purposes only on an actual interruptible basis and
10 also that the price will be increased as time goes on.
11 However, in the initial stages the low price gas
12 presents a very difficult problem for Lignite coal. Some
13 users will be lulled into a false sense of security and
14 install equipment for gas, and find themselves saddled
15 with high costs in a few years, but unable to make the
16 capital expenditure required to switch back to economi-
17 cal coal. Our position on this, in our submission to
18 the Borden Commission was as follows: "We realize that
19 we will be faced with extreme competition from natural
20 gas, but we submit that it would not be in the ultimate
21 interest of either the country, the producing area or the
22 consuming area, to permit these competing fuels to be
23 sold in the initial stages at prices which will not
24 continue. In other words, our position is that
25 neither natural gas or oil both premium fuels should be
26 sold at "bargain basement prices" which obviously
27 cannot be a long term factor. The inevitable result of
28 such would be that the industry in Saskatchewan would
29 suffer at the outset and then when the requirement for
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1 this coal would be evident in the future, the Industry
2 would have to be built up again at a very high cost."
3 Then again, from the same submission, "We do not feel
4 that it is in anyone's interest, the consumer included,
5 to have for example natural gas sold at prices which do
6 not cover the full cost of providing the service."

7 One other facet of the potential market
8 for Saskatchewan Lignite is the thermal generation of
9 electricity. It is agreed by energy experts that low
10 cost coal produced near to thermal electricity generat-
11 ing stations will become the prime source of this energy
12 in the future. However the optimism which might be engen-
13 dered by this general assumption must be tempered in several
14 directions:

15 (a) The large demand when and if it comes from
16 thermal electric stations is still at least four or
17 five years off. This means that the coal companies must
18 find a method of surviving until this particular market
19 becomes available to them in large quantities.

20 (b) So far as the Province of Saskatchewan is
21 concerned, it would appear that it has decided to
22 provide its own fuel requirements from its own mines,
23 and to this extent this market for coal for thermal
24 electrical energy is now denied to the commercial coal
25 producers.

26 (c) This leaves the large thermal electric stations
27 which are now being developed by the Manitoba Hydro
28 Electric Commission, as the obvious market for
29 Saskatchewan Lignite, in Lignite's geographical market
30 area.



1 There are many variables and uncertainties
2 about the ultimate coal consumption of the two stations
3 being developed in Manitoba at Brandon and East
4 Selkirk. The variables include the growth of popu-
5 lation in Manitoba; whether the demand for electricity
6 will continue to rise at the same scale as in the
7 immediate post-war years; the extent to which thermal
8 generated electricity will be required because of
9 variations in river flow; the availability of hydro
10 electricity; the effect of inter-connection between
11 the three Provinces of Ontario, Manitoba and Saskat-
12 chewan, resulting in exchanges of power; and the
13 recently announced construction by the Province of
14 Manitoba of the Grand Rapids Hydro Electric project,
15 which is due to be completed by 1965 at the latest.
16 This latter item is possibly the most difficult thing
17 the Saskatchewan Lignite field has to face in the
18 possibility for selling coal to the Manitoba Hydro
19 Electric Board for generation of electricity. The
20 prospects would seem to be that for the period required
21 to complete the Grand Rapids plant we may anticipate
22 supplying the Brandon and East Selkirk plants with
23 a modest tonnage of coal, but with the completion of
24 the Grand Rapids plant, the capacity of the Board's
25 Hydro plants together with the thermal plants, will
26 be around 35% more than the Province's requirement for
27 power and that it will not be until around 1970 when
28 the demand will require the full use of Brandon and East
29 Selkirk with the latter plant expanded to its full
30 potential capacity.



1 Apart from these variables is the question
2 of the ability of the Saskatchewan Lignite industry to
3 deliver coal to the power stations at a price com-
4 petitive with that of natural gas which depends sub-
5 stantially on the holding down of transportation costs.

6 It would appear that in so far as the future
7 of the provinces of Manitoba and Saskatchewan are
8 concerned and particularly Manitoba, it is essential
9 that the Saskatchewan Lignite industry be preserved in
10 a healthy condition so that it will be available when
11 required. This is a difficult position for the com-
12 mercial coal industry of Saskatchewan for while the
13 market for coal for thermal generation of electricity
14 remains one of the bright hopes for the lignite
15 industry, it is hoped that the Manitoba Hydro Electric
16 Board will decide to increase their purchases of our
17 product year by year to enable these companies to
18 continue in a state of reasonable economic well being, so
19 that they will be able to supply the national need now
20 and in the expected and projected future.

21 It must be obvious from a consideration of
22 the tonnages shipped and the losses sustained, that
23 we have been able to increase our industrial market
24 substantially during the post war years. It is
25 essential that this market is protected, as well as what
26 is left of the domestic market, while at the same time
27 working to take over a large part of the thermal
28 electric market. We do not want to be in the position
29 of merely trying to hold our production at a certain
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level by replacing losses in one direction with gains in another, and the freight rate situation must not be allowed to deprive us of these markets, pending the advent of the thermal electric market, which as has been shown, is somewhat indefinite so far as time and tonnage are concerned.

Market Outlook

(a) The domestic market cannot be expected to improve, and may continue to decline.

(b) The immediate potential of the industrial market has been fairly well exhausted. The industry will attempt to hold its own with the normal growth of industry in its natural marketing area, but competition of natural gas and fuel oil will hamper this.

(c) Coal for thermal generation of electricity seems to offer the best hope for additional tonnage, but as mentioned above, is subject to many variables and uncertainties. In any case, its maximum development is at least five years off and possibly much more than that.



1 COSTS

2 The terms of reference of the Royal Commission
3 on Coal (1959) make mention of costs as follows:

4 (a) "The steps that can reasonably be taken to
5 reduce the cost of production of coal in the various coal
6 producing areas of Canada and the costs of its dis-
7 tribution to Canadian markets;" and

8 (b) "The steps that the Canadian coal producing
9 industry can take to secure as large a market as possible
10 for Canadian coal and to place and maintain their
11 industries on an economic basis."

12 It would seem that the principal point in
13 both these items is the steps which the industry can
14 take to cut down costs to enable them to service their
15 markets as economically as possible.

16 In the servicing of markets, that is, the
17 process of getting the coal out of the ground to the
18 point of consumption, there are two basic types of cost:

19 (a) Production cost at the mine up to and including
20 cost of putting the coal in the carrier's hands.

21 (b) Cost of transportation to point of use; in our
22 case, railway transportation.

23 In connection with (a), our submission has
24 outlined our capital expenditures, changed method of
25 operation and the increased efficiencies which have kept
26 our selling prices very low. At the mine, the average
27 price received for Lignite is the equivalent of less
28 than 15¢ per million b.t.u. The experience of this
29 portion of the coal producing industry has shown that the
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1 employment of advanced techniques, modern and larger
2 machines, together with infinite attention to detail,
3 can raise output and with rising costs hold unit costs
4 fairly well under control. There is, however, a limit
5 to which the industry can go, no matter how it strives
6 to achieve economies. With the present situation where
7 large equipment has been installed and the past economies
8 effected, it is felt that we are close to our limit in
9 this regard and that further major savings are not
10 possible. It might be said that the law of diminishing
11 returns may now affect the industry and its investment
12 in new plant and equipment. It could also be said that
13 the industry cannot count on maintaining its ability to
14 control costs in the future as it has in the past,
15 for instance through absorbing increased labor costs by
16 savings through use of larger machines, etc.

17 The matter of (b) the cost of transportation,
18 which is entirely outside the control of the coal
19 companies, presents a very serious problem to them.
20 The scale of increase in transportation costs has been
21 mentioned earlier, and again, for Winnipeg the
22 increase has been \$1.40 per ton, or 60.9% for domestic
23 coal and \$1.00 per ton for industrial sizes or 43.5%.

24 Realizing the importance of transportation
25 costs, which as the evidence shows are greater than mine
26 costs, these companies have appeared at all hearings
27 resulting from the railways various applications for
28 increased freight rates since the war. We have
29 protested not only the application of the increases to
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1 the cost of getting our product to the point of use,
2 but also the method by which those increases have been
3 applied.

4 Before reviewing in detail the representations
5 which have been made, the main principals that have been
6 argued should be noted. These increases have applied
7 with particular severity to Lignite coal because they
8 have been in terms of flat cents per ton regardless of
9 the distance moved or the value of the product. This
10 has resulted in two specific results:

11 (a) The geographical advantages which these
12 companies should enjoy by reason of their proximity to
13 their markets have been considerably cut down. We
14 are not seeking in this brief to make comparisons with
15 rates on Alberta coal which would put us in opposition
16 to them, but the point is obvious that a 25¢ per ton
17 increase applied on a short movement costing a rela-
18 tively small amount of money has much more impact than
19 a 25¢ increase applied on a long movement costing a
20 relatively large amount of money. The competition with
21 Alberta coal for example in the Winnipeg market is gen-
22 erally unimportant and is likely to remain so but the
23 effect of the erosion of our geographical advantage
24 has hampered the industry in its contest with fuel
25 oil and natural gas.

26 (b) The other effect has been the fact that the
27 principal of "value of service" which was recognized
28 in the western rates case of 1914 has been substantially
29 eaten away. At that time a 10% differential was
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1 established between the bituminous coal and Lignite
2 coal. As these flat cents per ton increases have been
3 applied to the two types of coal the 10% differential
4 has been reduced.

5 As a result of the numerous representations
6 which the industry has made to the Board of Transport
7 Commissioners and to the previous Royal Commission on
8 Transportation it has the following specific criticisms
9 and comments to offer on the present method of adjusting
10 freight rates:

11 (a) The present structure does not appear to
12 provide any adequate form for the consideration of the
13 problems of a particular industry like Lignite coal or
14 any other industry which might be subject at any given
15 period of time to severe economic pressures. The
16 following record of this industry's experience before
17 the Board of Transport Commissioners will bear this out;

18 (1) Between 1947 and 1952 the industry appeared
19 before the Board in connection with all the general
20 applications for freight rate increases made by
21 the railways. The attitude of the Board in these
22 years was that the problems of one industry could
23 not properly be considered in connection with a
24 general application. The industry was finally
25 advised by the Board to make a specific complaint
26 against the unfair discrimination thus permitting
27 the Board to consider the special problems of the
28 Lignite industry.

29 (ii) This special case was brought before the
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1 Board in 1953. After hearing evidence the Board was
2 driven to the conclusion that the representations
3 of the coal industry had implications for other
4 industries and other parts of the railway traffic.
5 One example is the traffic in petroleum. Thus
6 the Board deferred its decision and suggested that
7 elaborate studies of the implications of the coal
8 companies application on other industries would have
9 to be made. By 1955, that is after a period
10 of two years, the case was still undecided and it
11 would appear that it was likely to remain so for a
12 considerable period. At that time, the coal companies
13 were able by negotiation with the railways to achieve
14 a modest reduction in industrial rates to Winnipeg,
15 Brandon, Regina and Moose Jaw, and as part of the
16 arrangement agreed to withdraw their complaint
17 upon which the 1953 hearing had been based.

18 (iii) Not having been successful in a special
19 case in having the unique problems of the industry
20 considered by the Board of Transport Commissioners
21 the companies when the 1956 applications for freight
22 rate increases were made, were compelled to make
23 their case once more on a general application. The
24 experience which they suffered in the course of
25 the hearing on the 1956 application which was not
26 finally adjudicated till 1957 and which was followed
27 immediately by a further application illustrates
28 the problems which we face in dealing with the
29 Board of Transport Commissioners. In 1956 the
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1 Board refused any special consideration for Lignite
2 coal. When the final judgment on this particular
3 application was handed down on December 27, 1957
4 a concession was made to the lignite producers,
5 and it is important at this stage to quote in full
6 the reasons for judgment of the Board in this
7 connection dated December 27, 1957.

8 "Lignite Coal"

9 With regard to Lignite coal, it was submitted
10 in the further argument that the Board should give consi-
11 deration to an exception on this article for two reasons,
12 one that it is an extremely low valued article on which
13 the shippers have only been able to raise the selling
14 price during the past 10 years by 10 cents per ton, and
15 second that the industry is facing a new condition of
16 serious importance owing to the immediate threat of
17 competition from natural gas.

18 So long as rates are just and reasonable in and
19 of themselves, the second reason is not one that the
20 Board can take into consideration, but we are impressed
21 with the argument on the first point, i.e., the value
22 of service. This commodity is an article upon which
23 the Board itself in the western rates case of 1914
24 prescribed rates 10 per cent lower than on Alberta coal.
25 This base has been disturbed over the years by applying
26 the same increases to Lignite coal as to higher valued
27 bituminous, sub-bituminous and anthracite coal. We
28 believe the point has been reached where a difference in
29 treatment of Lignite coal versus other types of coal
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1 should be restored.

2 The Board considers, therefore, that no
3 further increase should be made at this time in the
4 normal rates on Lignite coal, but that the increase of
5 18 cents per ton already permitted should be allowed
6 to stand. We are not, of course, dealing with com-
7 petitive rates; it is within the discretion of the
8 railways to increase competitive rates on Lignite coal at
9 any time according to their own judgment, subject of
10 course to the maximum of whatever normal rate may exist
11 from time to time."

12 Subsequently, the advantage which this judg-
13 ment might have conferred upon the lignite operators
14 was cancelled because the cabinet disallowed the
15 general increase which the judgment had permitted.

16 (iv) The next application for increase by the
17 railways occurred in the fall of 1958 when under
18 pressure of threat of strike, they applied for
19 permission to increase rates in order to provide
20 for increased wage claims. The urgency of the
21 application ruled out any proper consideration of
22 the position of special shippers such as those
23 of Lignite coal and although representations were
24 made they were not acted upon and the Board
25 specifically decided not to grant the industry
26 the slight concession which it had determined was
27 proper in 1957.

28 At this stage it is appropriate to comment
29 that even though the industry at one time was able
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1 to achieve a small hold down on the rates appli-
2 cable to it, the wording of the judgment of the
3 Board in December 1957 clearly indicates that it
4 is not competent to take into account those factors
5 which are most important in deciding the industry's
6 future. The Board specifically stated in its
7 1957 judgment that it is not empowered to give
8 consideration to the threat of competition from
9 other fuels which the lignite industry is experien-
10 cing. The only basis upon which it can give relief
11 to a particular industry is some internal consider-
12 ation of the just and reasonableness of rates and
13 for this purpose the important principal of value
14 of service was employed. It is our contention
15 that this restricted basis for judgment of the
16 reasonableness of rates in so far as it affects the
17 lignite or other industries is prejudicial to them
18 and is not in the public interest.

19 (v) In the course of these general rates increase
20 hearings, the lignite industry also made represen-
21 tations at separate equalization hearings held by
22 the Board in June of 1958 on the specific subject
23 of coal. No judgment has yet been handed down by
24 the Board. At this hearing, the lignite industry
25 suggested that an attempt be made to rationalize the
26 overall freight rates on coal to reduce them to a
27 level which appeared to be compensatory for the
28 railways and which seemed to bear some proper
29 historical relationship to previously existing
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1 rates. For the purposes of this submission, the
2 lignite industry suggested that the coal rates
3 be affixed at approximately 6% of the Class 100
4 rate. It should be mentioned that one purpose
5 in making this particular submission was to avoid
6 contention with other elements in the coal industry
7 which is exaggerated when it is found that the only
8 basis for obtaining relief for the lignite industry
9 is the so-called value of service principal.

10 (b) One major defect in the present system of
11 adjudicating by the Board of Transport Commissioners is
12 that no regard appears to be had to the cost of
13 operation. The evidence which has been given on previous
14 occasions has indicated that this is a movement over low
15 density lines with easy grades with long trains and for
16 much of the operation without terminal charges at the
17 mine or at the consuming end. Also long large trains
18 up to fifty cars and more are hauled at one time.

19 The fact that this traffic is one of high
20 tonnage, high car loadings (averaging nearly 50 tons per
21 car for all classifications and nearer 60 tons for
22 industrial shipments) with a quick turnaround and
23 maximum car usage, also increases the profitability of
24 the traffic. The 1956 Canada year book shows the overall
25 Canadian average of revenue per train mile as \$11.43.
26 Since rates have increased since then, it may possibly be
27 now of the order of \$14.00. Based on the Winnipeg
28 freight rate for industrial coal of \$3.30 per ton and
29 a 2,500 ton train, which is not exceptional but rather
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1 on the small side, the return per train mile is \$29.25
2 so that it would appear to be a very remunerative traffic,
3 even at the industrial freight rate.

4 (c) In the absence of satisfaction from the Board
5 of Transport Commissioners, the industry has negotiated
6 directly with the railways for more realistic rates.
7 There is no doubt that the railways are now somewhat
8 more amenable than they were earlier to negotiation
9 for specific rates to preserve traffic for coal and
10 several agreed charges have been negotiated, as for
11 example the 1955 reduction in the rate on industrial
12 sizes to Winnipeg, Brandon and Regina; in 1959 the
13 establishment of an agreed charge for the supply of
14 coal to the Brandon Thermal Generation Station of the
15 Manitoba Hydro Electric Board and also in 1959 the
16 establishment of a rate to Ormiston, Saskatchewan.

17 However, this basis is highly unsatisfactory,
18 because there does not seem to be any real pressure on
19 the railways to move on these rates, and an apparent
20 reluctance on their part to recognize the existence of
21 the competitive situation, until the traffic has been
22 lost. There are two particular examples of this. The
23 first is the Neepawa Salt Company at Neepawa, Manitoba.
24 Attached is the copy of a letter in this connection.
25 The situation was that after the plant had converted to
26 oil, a 40¢ a ton reduction in freight was made, too late
27 to save the traffic, and it was not possible to regain
28 it. Then there is the case of the Dryden Pulp and
29 Paper Co. at Dryden, Ontario. When the railways were
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1 first advised that this traffic of more than 125,000
2 tons per year was endangered by the competition of
3 natural gas and required a reduction of the order of
4 a \$1.00 per ton to maintain it, they were stubborn in
5 insisting that they could only offer a reduction of
6 \$.24 per ton. After the pulp and paper mill had gone
7 to the expense of converting its equipment to natural
8 gas the railways offered an agreed charge reducing their
9 rate by \$1.03 per ton. There are other instances of
10 the railways locking the door after the horse was stolen.
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1 In considering (d) of the Royal Commission on
2 Coal (1959) terms of reference "the measures that can
3 reasonably be adopted by governments to support the
4 economic production, distribution and sale of Canadian
5 Coal", certain other elements of cost are involved here
6 largely Provincial in character. Although the large
7 trucks of the coal companies use no Provincial roads,
8 the diesel tax of 11¢ a gallon is charged as it is on
9 the diesel fuel used in the large shovels. We are
10 also required to pay the 3% Education and Hospitalization
11 Tax on new and very costly equipment. In addition, in
12 the areas in which they operate, they have been or may
13 become subject to rather heavy municipal levies.
14 Since they are generally the one industry of any size
15 in the area, they are naturally targets for high
16 taxation.

17 It would seem that some relief could readily
18 be accorded the coal companies in the above matters.
19 Federal legislation exempts production machinery from
20 sales tax and the hazardous nature of the business
21 is recognized in many other ways. The Income Tax
22 Act accords relief in relation to the opening of new
23 mines depletion, etc. The Coal Mines Assistance Act
24 has been extended to include Western Canada to
25 provide assistance for capital development. It does
26 not seem unreasonable at a time when the industry is
27 facing grave problems to suggest that the Provincial
28 Government should give consideration to extending
29 assistance to them by some form of tax relief and by
30 placing a ceiling upon municipal levy.



RECOMMENDATIONS

In proposing the following, the Lignite industry feels very keenly that due consideration must be given to its present position. By continuous effort, it has done everything it possibly can to maintain its position, and continue to operate and maintain itself in a prosperous condition, which it must do if it is to continue in operation. The conditions which are most serious, as far as the industry is concerned, are those which to a large extent are outside of its control. One item which has not been covered is what internal research the industry may be doing. Admittedly, this has not been too great, but at the same time a modest amount of research is being done. We understand that your Royal Commission will be receiving a brief from one of the associated industries in the Saskatchewan Lignite field. One of the mines submitting this brief is spending around \$50,000 investigating the possibilities of reducing the moisture content in Lignite coal, as mined, so that a more concentrated form of heat may be shipped. Quality control and size limitation are continuing efforts of all these operators, in an endeavor to supply the consumer with as high a quality of Lignite coal as can be shipped. Evidence has been submitted showing that the cost per million b.t.u. at the mine, for the average mine price, is less than 15¢. When it is considered that every dollar of freight cost adds some 6 2/3¢ per million b.t.u. to the cost to the consumer, and that the average freight rate for Saskatchewan Lignite may be



1 something around \$3.00 per ton, or more, it is evident
2 that the cost to the consumer per million b.t.u., or
3 the yardstick of fuel cost computation will be something
4 of the order of 35¢ per million b.t.u. This compares
5 with a price of 35¢ per m.c.f. for natural gas, on a
6 firm basis, so that the area in which Lignite is com-
7 petitive can be readily seen. With modern equipment
8 Lignite can be utilized at at least as high efficiencies
9 in burning as natural gas and perhaps higher, so that
10 from the competitive point of view the major part of the
11 cost of Lignite is in the consumer's hands, that is
12 transportation cost is the key point to the successful
13 continuation of commercial Lignite production.

14 We believe that this Royal Commission could
15 well recommend the declaration of some sort of National
16 Energy Policy which would be directed toward the pre-
17 servation of the production of coal and particularly
18 that which can be produced at low cost. This policy
19 could recognize that natural gas, in particular is a
20 premium fuel which will likely not continue to be avail-
21 able for any long period of time in the industrial
22 market and that National Policy could be directed to
23 the preservation of that industrial market for coal.

24 We recommend that this Royal Commission recog-
25 nize that freight rates are the most important element
26 in establishing the cost to the consumer of Lignite
27 coal, and should consider recommending forms of
28 assistance to the hard pressed Lignite coal industry
29 to enable it to keep its present markets while it
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1 deals with the initial rush of competition from
2 natural gas, which will not continue in its present
3 form.

4 One way in which the Commission could do this
5 would be to recognize that the present method of dealing
6 with requests for railway freight increases gives no
7 opportunity at all for the proper consideration of the
8 competitive position of a hard pressed industry like
9 Lignite coal. The 1957 judgment of the Board of Trans-
10 port Commissioners indicates that the Board is without
11 power to consider such important economic and national
12 considerations as the competition between coal and other
13 forms of fuel. The judgments of successive general
14 freight rate applications have also indicated that the
15 position of particular commodities is always treated
16 as being incidental to the general problem of providing
17 revenue for the railways. It has been said that the
18 railways showing need for more revenue are entitled to
19 capture from any particular industry that increase and
20 cannot be prevented from doing so unless the rates are
21 shown to be unjust and unreasonable in a rather
22 limited way.

23 Since the Board of Transport Commissioners as
24 presently constituted and authorized is apparently unable
25 to undertake a proper examination of a hard pressed
26 industry like Lignite coal before dealing with freight
27 rate increases, it would seem apparent that some other
28 method of assessing the position of such an industry
29 must be established. It is recommended that an industry,
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1 like the coal industry which is already the subject of
2 special concern to the Dominion Coal Board, should be
3 entitled to have its particular claim with regard to
4 the effect of freight rate increases adjudicated by
5 the Dominion Coal Board before the railways' applica-
6 tion for increased freight rates is dealt with by the
7 Board of Transport Commissioners. The Coal Board being
8 very familiar with all competitive considerations
9 affecting the sale of coal would be in a position to
10 determine whether or not the proposed freight rate is
11 prejudicial to the industry, or the extent to which it
12 would be prejudicial. It would also be able to
13 determine whether the proposed freight rate increase
14 would destroy the market for coal, and thus deprive
15 the railways of any revenue whatsoever from the movement.
16 In performing this function, the Coal Board would be
17 in a position also to bear in mind the following
18 important considerations:

- 19 (a) The low cost of moving coal.
- 20 (b) Give due recognition to the value of service
21 principle.
- 22 (c) Give recognition to the geographical advantage
23 which any coal field should enjoy in its natural
24 marketing area.
- 25 (d) Eliminating the distortions and the unfairness
26 of the flat rate per ton increases which have prevailed
27 since the war.

28 With this could be coupled the present
29 function performed by the Dominion Coal Board of
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1 administrating the Subvention policy. In this connec-
2 tion, the Lignite industry would prefer to have its
3 transportation charges put on a logical and reasonable
4 basis, as previously outlined, which would enable it
5 to operate without the benefit of any special sub-
6 ventions beyond those envisaged by present legislation.
7 This, of course, would be based on present conditions.
8 We would object to any extension of subventions which
9 would affect our geographical location just as we
10 have protested freight rate increases which have done
11 the same.

12 Since the cost of transportation plays such a
13 large part in the utilization of the coal resources of
14 the nation, and since in many instances, the transpor-
15 tation cost of competing fuels is not regulated, it is
16 suggested that if freight rates on coal cannot be based
17 on a reasonable and proper scale, such as suggested,
18 that the method and amount of subvention should be
19 more flexible to enable the Dominion Coal Board to
20 use subventions in a manner which would be of real and
21 wide assistance to the coal industry. For instance, in
22 similar manner to the general subsidy paid to the railways
23 when the last freight rate increase was set aside by the
24 Cabinet, if it is found that after complete inquiry,
25 freight rates above those suggested for coal are neces-
26 sary, then perhaps it would require a compensating
27 subvention to be paid to customers of the coal producers
28 to enable them to continue to use coal.

29 We, joining in this submission, are deeply
30



1 appreciative of the opportunity of presenting our
2 views to your Commission, and we sincerely trust that
3 our suggestions will be of some value in establishing
4 the coal industry of Canada in general and Saskatchewan
5 in particular, on a firm and sound basis, which will
6 enable it to partake fully of the future forecast for it
7 and not fall by the wayside in the intervening period.

PLANTS CONVERTED TO OIL AND NEW PLANTS

		TONS (Annually)	
<u>WINNIPEG</u>			
Marlborough Hotel	Lignite	3,000	
MacDonald Brother (Aircraft)	Lignite	8,800	
Wall Street C.N.R.	Lignite	9,600	
Renfrew C.P.R.	Lignite	23,000	
Dorchester C.N.R.	Lignite & Bit.	45,000	
Canada Packers (Canning)	Lignite	2,500	
Western Gypsum (Steam)	Lignite	2,400	
Gypsum Lime (Kilns)	Lignite	1,400	
Medical Arts Building	Lignite	1,000	
Winnipeg Clinic	Lignite	600	
Quinton Dye Works	Lignite	1,500	
New Method Laundry	Lignite	1,450	
Peerless Laundry	Lignite	2,050	
Headingly Gaol	Lignite	1,950	
Scott Cleaners	Lignite	700	
Canadian Pacific Airways	Lignite	450	
Hilton Brothers	Lignite	1,475	
Manitoba Technical Inst.	Lignite	950	
Boyd Building	Lignite	850	
Winnipeg Free Press	Lignite	1,500	
City Dairy	Lignite	2,000	
Northern Taxi	Lignite	400	
Crescent Creamery	Lignite	4,000	
Perth Dye Works	Lignite	3,000	
St. Boniface Hospital	Lignite	10,000	
Fibre Board Manufacturing	Lignite	2,000	
Supercrete Limited	Lignite	4,000	
Pellisiers Brewery	Lignite	3,000	
Swift Canadian Company	Lignite	15,000	
Canadian Salt Company (Neepawa)	Lignite	22,000	
Manitoba Sugar Company Limited	Lignite	<u>4,000</u>	179,575
<u>REGINA</u>			
Turns & Company	Lignite	3,000	
Parliament Buildings	Lignite	22,000	
Ray Nun's Hospital	Lignite	12,000	
Regina General Hospital	Lignite	16,000	
C.M.P. Buildings	Lignite	6,500	
Public Schools	Lignite	5,000	
Collegiates	Lignite	2,500	
Regina College	Lignite	3,500	
Brewrys	Lignite	3,500	
Saskatchewan Co-op Creamery	Lignite	3,000	
Purity Dairy	Lignite	2,000	
Luther College	Lignite	3,000	
Champion College	Lignite	3,000	
Regina Gaol	Lignite	2,500	
McGavin's Bakery	Lignite	2,500	
Easton's Bakery	Lignite	2,000	
Canada Life Building	Lignite	1,000	
Callum-Hill Building	Lignite	1,000	
City Power Plant	Lignite	<u>60,000</u>	<u>154,000</u>
Carried forward			333,575

TONS
(Annually)

Brought forward 333,575

MOOSE JAW

Robin Hood Flour Mills	Lignite	5,000	
Providence Hospital	Lignite	5,000	
Grand Hall Hotel	Lignite	2,000	
Brunswick Hotel	Lignite	500	
Empress Hotel	Lignite	500	
Harwood Hotel	Lignite	500	
Moose Jaw General Hospital	Lignite	4,000	
Saskatchewan Co-op Creamery	Lignite	1,000	
Hughes Building	Lignite	500	
St. Joseph's College	Lignite	500	
Capital Theatre	Lignite	500	
Moose Jaw Steam Laundry	Lignite	500	
National Light & Power	Lignite	50,000	
Public Schools	Lignite	5,000	
Collegiates	Lignite	<u>2,000</u>	77,500

YORKTON

Yorkton General Hospital	Lignite		5,000
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BRANDON

Hospital for Mental Diseases	Lignite	12,000	
Brandon Packers	Lignite	<u>3,000</u>	<u>15,000</u>
			431,075

NEW PLANTS TO OIL - WINNIPEG

	Displacing Tons <u>Annually</u>	
Canadian General Electric	2,000	
Ford Motor Assembly	1,000	
General Motors Limited	2,500	
Goodrich Tire Company	350	
Goodyear Tire	1,000	
Gutta Percha Tire	300	
International Harvester	700	
Manitoba Telephone	2,500	
Marshall Wells	4,000	
MacLeods Limited	1,250	
Security Storage	2,500	
Westinghouse Limited	2,000	
Mail Clinic	<u>400</u>	<u>20,500</u>
		451,575

RECENT LOSSES TO OIL

University of Manitoba	8,000
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INDUSTRIAL LOSSES TO GAS

Ontario & Minnesota Paper Co. Kenora	125,000	
Dryden Pulp and Paper Company, Dryden	125,000	
ask. Mental Hospital, Weyburn	<u>15,000</u>	265,000
Saskatchewan Power Corporation, Estevan		340,000

Total loss (to which must be added domestic and semi- industrial loss, total unknown)	<u><u>1,064,575</u></u>
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THE CANADIAN SALT COMPANY LIMITED

Our File: 458

NEEPAWA, Manitoba,
21st September, 1956.

Great West Coal Company Limited,
BRANDON, Manitoba.

Attention: J. M. Brodie,
Managing Director.

Dear Mr. Brodie:

Acknowledging yours of September 17th.

This will confirm my statement to you in 1953, at which time we decided to convert the Neepawa power plant to oil burning equipment. "Had we been assured of the 40¢ per ton reduction in delivered cost of coal, we would not have been able to justify the switch to oil burning."

I trust you will be successful in your appeal to the Board of Transport re revision in freight rates in Western Canada.

Yours very truly,

THE CANADIAN SALT COMPANY LIMITED,

H. Ayres,
Production Manager,
Western Operations.

HA:YW



1 All of this is respectfully submitted, sir.

2 THE CHAIRMAN: Any questions you desire to
3 put to Mr. Thompson?

4 MR. DUNN: May I ask a question, please?

5 THE CHAIRMAN: Yes.

6 MR. DUNN: Sir, at the top of page 5 of
7 your brief, I read: "Even in this area, we anticipate
8 that since we have been able to survive the competition
9 of oil, we do have a good chance of surviving the
10 competition of natural gas, providing that natural gas
11 is not sold at bargain prices which cannot be continued."
12 What have you got in mind to control the bargain prices
13 of natural gas?

14 MR. THOMPSON: Well, if I may take a moment
15 to get our submission to the Borden Commission. I
16 think, in brief, what we said to them was that we felt
17 that since other forms of energy, other than natural
18 gas I am speaking of, had the element in their cost
19 which was formed by transportation, controlled by the
20 Board of Transport Commissioners, that our feeling was
21 that the cost of natural gas, to the extent that the
22 pipeline provided an alternate form of transportation,
23 should be under a similar type of control.

24 MR. DUNN: By any particular body?

25 MR. THOMPSON: We suggested that should be
26 part of the National Energy Commission. We suggested,
27 we did not know whether that Commission should be
28 advisory or regulatory. I think that was the stand
29 we took on the Borden Commission.
30



1 MR. DUNN: Thank you. Now, have you
2 applied to the Provincial Government at all for any
3 type of assistance in the coal industry?

4 MR. THOMPSON: No, we have not.

5 MR. DUNN: Any particular reason why not?

6 MR. THOMPSON: No.

7 MR. DUNN: So as I gather from your brief
8 then, it is mostly a matter of freight rates that you
9 are concerned about; am I right on that?

10 MR. THOMPSON: That is the largest item which
11 we see left which forms a part of the cost of getting
12 our product into the consumer's hand.

13 MR. DUNN: What is the procedure that your
14 sales staff follows in the sale of coal, Mr. Thompson?
15 Could you tell us that briefly?

16 MR. THOMPSON: Well, to try and make it fairly
17 brief -- I don't want them to know how brief I make
18 what they are doing. I am speaking generally, not
19 specifically, I am speaking for the two companies
20 presenting this brief.

21 MR. DUNN: That is right.

22 MR. THOMPSON: We have offices in Regina,
23 Weyburn, Brandon, and Winnipeg, also Yorkton. That
24 covers the area which our brief outlined as being the
25 area in which lignite is sold. The salesmen will cover
26 the area, that is call on the dealers and the large
27 industrial consumers in the area allotted to him. That
28 is the Brandon office will cover a certain area and the
29 Weyburn office will cover another area and the salesmen
30



1 do not go over each other's territory in order to avoid
2 doubling up on the work. They will call on all possible
3 areas where coal may be sold in that territory and if
4 necessary a combustion engineer is available for any
5 large uses of coal.

6 Now, is that a short enough way to explain it
7 or would you like more?

8 MR. DUNN: No. You don't wish any further
9 elaboration on that, Mr. Chairman? I was just interested
10 in the method of the selling of coal.

11 THE CHAIRMAN: No.

12 MR. DUNN: I think that is all, thank you.

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1 THE CHAIRMAN: Is there anyone else who would
2 care to ask questions?

3 Mr. Thompson, your real complaint is that
4 regulation of railway rates by the Transport Board does
5 not extend to the equalization of competition.

6 MR. THOMPSON: We find it very difficult, sir,
7 to find a niche where we can talk. We talk on general
8 rate cases. They say it should be specific.

9 THE CHAIRMAN: It is not merely getting the
10 matter before the Board. You know that limitations of
11 regulations are set forth in the Railway Act.

12 MR. THOMPSON: That is right, sir.

13 THE CHAIRMAN: All the Board does is to administer
14 that Act. The railway merely is an instrument to
15 balance competition between individual companies and/or
16 different -- in this case -- modes of energy, different
17 forms of energy. That is a form in the field of
18 administration that we have not yet established.

19 MR. THOMPSON: I realize that, but our
20 suggestion I think indicates we feel that way, sir.
21 We find ourselves competing, for instance, with natural
22 gas to the extent the movement of that gas is unregulated.

23 THE CHAIRMAN: Quite so. It is not really
24 the transportation question at all because if there were
25 no gas or no oil in competition, you would be in a normal
26 position in relation to rates.

27 MR. THOMPSON: That is right.

28 THE CHAIRMAN: So it is not an incursion of
29 the new competitive forms which constitute the basis of
30 your -- well, I won't say -- your complaint, but your



1 submission.

2 MR. THOMPSON: Yes, sir, Natural gas would
3 not be at a point of competition with us if it were
4 not for the pipelines.

5 THE CHAIRMAN: You see, the moment you get
6 into that field -- I do not say it should not be got
7 into -- you are enlarging the control of private industry,
8 are you not?

9 MR. THOMPSON: Yes and no, sir. I think,
10 without wanting to labour the point too far, we have
11 in Canada a form of regulation now established by the
12 Board of Transport Commissioners.

13 THE CHAIRMAN: That is for railway rates.

14 MR. THOMPSON: That is for railway rates.

15 THE CHAIRMAN: Yes.

16 MR. THOMPSON: Now, our competition is to
17 the extent that the cost of movement of gas from the
18 gas well to the point of consumption is not subject to
19 the same sort of regulations that we have in moving our
20 coal from the point of production to the point of con-
21 sumption.

22 THE CHAIRMAN: Does not the Energy Board have
23 jurisdiction over the carriage rates of gas and oil?

24 MR. THOMPSON: I am not positive as to that,
25 sir.

26 THE CHAIRMAN: Pardon?

27 MR. THOMPSON: I am not positive as to that.
28 I don't know.

29 THE CHAIRMAN: They may not be regulating it
30



1 but now -- I speak subject to correction -- my recollec-
2 tion is that the Energy Act gives them full power over
3 the rates of carriage. Whether it gives any power over
4 the sale of the commodity, I don't know.

5 MR. THOMPSON: I don't know, either.

6 THE CHAIRMAN: There are two functions
7 involved. One is the mere carriage of the oil or gas
8 and the other is the sale of the oil or gas, so that
9 that must be kept in mind when we are speaking of
10 regulation. Have you considered the justification of
11 any sort to equalize competition of that sort? What
12 is the purpose of it, in the broad sense? What is the
13 justification for it?

14 MR. THOMPSON: Well, we have been talking
15 generally as to the requirement for fuels for Canada.
16 Speaking specifically from the point of view of these
17 companies making this submission, it is suggested to us
18 on all sides that our product will be required very
19 shortly.

20 THE CHAIRMAN: Yes.

21 MR. THOMPSON: And it will be required in great
22 quantities. At the same time we find ourselves in
23 the position of where by reason of competition, we are
24 being asked to put ourselves in moth-balls for possibly
25 five or six or eight years. Now, we do not want to
26 become part of a moth-ball fleet, sir. We want to find
27 some means to enable us to continue in operation on a
28 reasonable basis.

29 THE CHAIRMAN: From the mere standpoint of
30



1 maintaining your position, without considering the other
2 significances of the matter, isn't that the risk of
3 business?

4 MR. THOMPSON: It is, sir, but we find our-
5 selves in the position where some business is regulated
6 and the other part is not. In fact that is the situa-
7 tion so far as natural gas competition is concerned.

8 THE CHAIRMAN: Your complaint is against the
9 non-regulation of the other.

10 MR. THOMPSON: That is right, to an extent.

11 THE CHAIRMAN: How would the people who are
12 getting the benefit of the gas and oil look upon that?

13 MR. THOMPSON: Well, that is a difficult
14 question for me to answer, sir. I don't think I would
15 be able to.

16 THE CHAIRMAN: Well, I suppose it must be
17 considered. We are always seeking the economies --
18 seeking to produce economies in industrial action to the
19 limit, are we not? That is a primary assumption, is it
20 not?

21 MR. THOMPSON: It is, sir.

22 THE CHAIRMAN: The reduction of economies to
23 the limit possible in any specific situation.

24 MR. THOMPSON: That is what we have been
25 doing as far as our own operations are concerned.

26 THE CHAIRMAN: Have you estimated what the
27 possible disturbance to your plant and to the community
28 might be if you were compelled to reduce the output of
29 your mines?
30



1 MR. THOMPSON: We have not come to any actual
2 graph as to what the situation would be, but I do know
3 that there will be something in the order of 80 to 100
4 men employed in the Saskatchewan lignite commercial
5 industry.

6 THE CHAIRMAN: That is if the production
7 ceases entirely.

8 MR. THOMPSON: No, if the production ceases
9 entirely, I think the last recorded figure I have, sir,
10 is 358 employees in the Saskatchewan lignite field.

11 THE CHAIRMAN: Is there a core of your
12 business which will stand up against the blizzard?

13 MR. THOMPSON: It is very difficult to say,
14 sir. I would say that the core of business which may
15 stand up, regardless of anything else, would not be of
16 a sufficiently high level to enable the operation to
17 continue.

18 THE CHAIRMAN: I suppose ---

19 MR. THOMPSON: There is not enough that you
20 could say is capital tonnage, which is going to stay
21 with you regardless of any other competitive features,
22 which would enable you to remain in business.

23 THE CHAIRMAN: I would gather from what you
24 said probably we have reached the limit of lessening in
25 price of both oil and gas.

26 MR. THOMPSON: I think so, sir. If I may
27 point to an example.

28 THE CHAIRMAN: Pardon?

29 MR. THOMPSON: If I may point to an example.

30



1 We lost a piece of business or are in the course of losing
2 a piece of business in Winnipeg to Bunker C Oil at
3 5 1/2 cents a gallon, which is the lowest price I have
4 known it to be quoted for many years. That Bunker C is
5 available because it has been displaced by natural gas
6 in another instance. How long that price will remain,
7 I don't know.

8 THE CHAIRMAN: That is for industrial use?

9 MR. THOMPSON: That is for industrial use.

10 THE CHAIRMAN: On a large scale?

11 MR. THOMPSON: Yes. It will represent some-
12 thing between 8 and 16 thousand tons of coal a year.

13 THE CHAIRMAN: So far as supply of gas and oil
14 is concerned, would you agree that you are faced with that
15 for the next anywhere from 30 to 50 years?

16 MR. THOMPSON: I think we are faced with the
17 supply of it, sir. I do not think we are faced with the
18 inevitable low prices with which we have been faced.

19 THE CHAIRMAN: I was speaking entirely of
20 supply, the constancy of the supply.

21 MR. THOMPSON: Supply is one thing and
22 price is another.

23 THE CHAIRMAN: I quite agree. I was
24 talking of the supply.

25 MR. THOMPSON: Yes.

26 THE CHAIRMAN: Then you add that you think
27 the prices are bound to rise.

28 MR. THOMPSON: Well, as I said from a history
29 of gas pipelines in other places, it has been that as the
30



1 load has increased and the portion of the load which
2 could be sold at more practical and higher prices
3 increases, then the lower and less attractive prices
4 disappear and gas is no longer sold at those prices.

5 THE CHAIRMAN: Which use would that be?

6 MR. THOMPSON: From the gas point of view,
7 the one which brings the most money.

8 THE CHAIRMAN: I know, but just for the moment
9 I want to speak of the use. Is that domestic?

10 MR. THOMPSON: Generally speaking, domestic.

11 THE CHAIRMAN: Have you sought any relief at
12 all from the Province?

13 MR. THOMPSON: Of Saskatchewan?

14 THE CHAIRMAN: Yes.

15 MR. THOMPSON: No sir, we have not -- I
16 couldn't say -- other than what we have mentioned in our
17 brief today here.

18 THE CHAIRMAN: Of course, the Province has a
19 very vital interest in this.

20 MR. THOMPSON: It does, sir.

21 THE CHAIRMAN: What has been the result of
22 your total business in the last few years? Has it shown
23 a profit?

24 MR. THOMPSON: Yes, sir.

25 THE CHAIRMAN: Even for 1959.

26 MR. THOMPSON: Our year ends -- it is not at
27 the end of the calendar year. It is a fiscal year. It
28 will end on the 30th of May.

29 THE CHAIRMAN: You expect that to show a
30 profit?



1 MR. THOMPSON: I hope we will.

2 THE CHAIRMAN: Have you familiarized your-
3 self with the coal situation generally in the West, that
4 is the United States, Europe and England?

5 MR. THOMPSON: Only in an undetailed way, sir.

6 THE CHAIRMAN: Well, you know coal is facing
7 a very serious situation everywhere in the West.

8 MR. THOMPSON: Western Canada, yes, sir.

9 THE CHAIRMAN: What I would like to know is
10 the considerations by which governmental intervention
11 would be justified. You have mentioned two, that is the
12 disturbance of your capital -- you might call it your
13 capital organization and the disturbance of labour and
14 the disturbance to the community. What I would like to
15 know is at what point of seriousness the intervention
16 would be and whether the Government should interfere.

17 MR. THOMPSON: Plus the additional factor, sir,
18 of the coal being required.

19 THE CHAIRMAN: Of what?

20 MR. THOMPSON: Of the coal being required in
21 the future, which we are all told it will be.

22 THE CHAIRMAN: Quite, but it will remain in
23 the ground just as safely as if it were exposed.

24 MR. THOMPSON: Still it will cost more money
25 to open up even a strip mine, sir, so that would be part
26 of the consideration that would have to be weighed.

27 THE CHAIRMAN: In your position, really, it
28 will cost less than in underground mining.

29 MR. THOMPSON: Yes, sir, quite.

30



1 THE CHAIRMAN: For what reason will it be
2 substantial?

3 MR. THOMPSON: In reopening the strip mine,
4 sir.

5 THE CHAIRMAN: Yes. In commencing again --
6 assuming I do not expect that you will close down but
7 just for the purposes of supposition; suppose you were
8 to close down for five years. What would you have to
9 do to recommence?

10 MR. THOMPSON: First of all we have to have
11 enough money to live for five years, as far as the opera-
12 tion is concerned.

13 THE CHAIRMAN: What do you mean by "enough
14 money to live on"?

15 MR. THOMPSON: You have to maintain the
16 operation. You would have to maintain your equipment.
17 You just can't leave equipment to sit. You will have
18 to have a standby clause to close up and keep your
19 equipment in operating condition.

20 THE CHAIRMAN: I cannot hear you.

21 MR. THOMPSON: You will have to have a stand-
22 by clause to close down and the cost of maintaining
23 your equipment in operating condition and then when you
24 reopen you would have the additional cost of bringing
25 the equipment up to date at that time and the additional
26 cost of reopening your pits; all of which would be money
27 which would not have to have been spent had you remained
28 in operation.

29 THE CHAIRMAN: What do you mean by "reopening
30 your pit"?



1 MR. THOMPSON: They will not stay, sir, as
2 you will see when you see them. There are clay ranges
3 there 25 to 70 feet in height and they will not stand
4 for five years. They will all cave. You will be in
5 the position of starting your stripping all over again.

6 THE CHAIRMAN: You mean all that has been
7 removed will in some way or other get back to where it
8 was?

9 MR. THOMPSON: Not to where it was. It
10 would be down over where the coal would be.

11 THE CHAIRMAN: That would entail a certain
12 expense for reopening.

13 MR. THOMPSON: Yes.

14 THE CHAIRMAN: Not to the extent that it
15 would be required at the beginning of your mining in that
16 district.

17 MR. THOMPSON: No.

18 THE CHAIRMAN: Of course, there would be the
19 preservation of your machinery.

20 MR. THOMPSON: Yes.

21 THE CHAIRMAN: Then you look forward to
22 improvements in the next five years and it would neces-
23 sitate bringing them up to date.

24 MR. THOMPSON: Yes.

25 THE CHAIRMAN: What is the population of
26 Estevan?

27 MR. THOMPSON: Approximately 8,000.

28 THE CHAIRMAN: Yes. Is it supported wholly
29 by the coal industry?
30



1 MR. THOMPSON: No, there is other industries.
2 I think you are having a brief from the Chamber of
3 Commerce of Estevan.

4 THE CHAIRMAN: I see, they will be here.

5 Any particular reason why you shouldn't approach
6 the Provincial Government on these matters?

7 MR. THOMPSON: None at all, sir.

8 THE CHAIRMAN: You don't suggest it is easier
9 to get to the Dominion Government?

10 MR. THOMPSON: No. I think, perhaps, because
11 of the fact that the Dominion Coal Board has been in
12 existence that it is our customary, shall we say, source
13 of information.

14 THE CHAIRMAN: I see. Then I can gather as
15 the sum total that you are in favour of a regulation
16 that will tend to equalize the position of these three
17 means of energy.

18 MR. THOMPSON: I think you would have to go
19 beyond the three, sir; I think it should extend to
20 the possibility of nuclear energy in the future.

21 THE CHAIRMAN: Well, we can't regulate it
22 now because we haven't any. That is really the proposi-
23 tion that you set up.

24 MR. THOMPSON: Something of that nature, sir.

25 THE CHAIRMAN: Thank you.

26 MR. BROCKELBANK: Mr. Chairman, there have
27 been a number of references made to the report of the
28 Royal Commission on the Coal Industry of Saskatchewan,
29 1949. Now, there may be not too much in this report.
30



1 There are not too many copies available, but I have one
2 spare one if you would like to have it.

3 THE CHAIRMAN: Thank you, Mr. Minister; I
4 would like to have it.

5 Mr. Thompson, you have told us generally that
6 your market is in South-Eastern Saskatchewan and
7 Manitoba. Where are your large sales now being made?

8 MR. THOMPSON: Since we have lost a good por-
9 tion of the Ontario market, I would say that the largest
10 concentration of sales was made in the Winnipeg area.

11 THE CHAIRMAN: And those have been increased
12 in the last year.

13 MR. THOMPSON: Well, they have been increased
14 and decreased, sir.

15 THE CHAIRMAN: But in 1958, you had 333,000
16 in Ontario, and last year that was reduced to about 8.

17 MR. THOMPSON: Yes.

18 THE CHAIRMAN: And you are about 200,000 this
19 year, will be, under 1958 or 1959.

20 MR. THOMPSON: I think the total for the
21 Province, which will include the tonnage produced by the
22 Saskatchewan Power Corporation for its own use, which was
23 formerly supplied by one of these mines reporting to you
24 today, will be down to about 1,900,000.

25 THE CHAIRMAN: And the decrease is about
26 200,000?

27 MR. THOMPSON: It will be more than that
28 for the commercial companies, because that tonnage will
29 include the Saskatchewan Power Corporation tonnage.
30



1 It was 2,454,000 in 1958, which included coal from the
2 Boundary Dam.

3 THE CHAIRMAN: And you came down how far?

4 MR. THOMPSON: I can't ---

5 THE CHAIRMAN: 250 from Ontario.

6 MR. THOMPSON: Yes.

7 THE CHAIRMAN: So you have in some way or
8 other ---

9 MR. THOMPSON: No, sir. If you will look at
10 it this way, that that tonnage of 1,900,000 approximately
11 includes some tonnage of the Saskatchewan Power Corpora-
12 tion. The actual total tonnage for the coal mines
13 will be less than 1,900,000 by the amount of coal produced
14 by the Boundary Dam, for which I don't have the figures.
15 So the total loss to the coal companies is greater than
16 the apparent three hundred odd thousand which would show
17 from the figures I have quoted.

18 THE CHAIRMAN: Can you give us that in more
19 detail?

20 MR. THOMPSON: I will try to get the figures.

21 THE CHAIRMAN: And send it to us.

22 MR. THOMPSON: I will.

23 THE CHAIRMAN: What percentage of your
24 production goes, say, to the Winnipeg area?

25 MR. THOMPSON: Well, the Manitoba area took
26 73 per cent of our output last year, and I haven't got
27 the exact Winnipeg figures. But I think that something
28 in the order of 70 per cent of the coal going to Winnipeg
29 is Saskatchewan lignite. I haven't got the figures
30



1 separately, and I don't think it is kept separately.

2 THE CHAIRMAN: Are you able to separate that
3 into domestic and industrial?

4 MR. THOMPSON: Only on a very broad basis,
5 because we make nine different sizes of coal, and of
6 those only two might be called specifically domestic
7 sizes.

8 THE CHAIRMAN: What is your most available
9 market in industrial form?

10 MR. THOMPSON: Well, the power market hasn't
11 developed as rapidly as it had been indicated it might,
12 sir. There have been suggestions made as late as 1957
13 by the Railway Association, but by 1960 the Saskatchewan
14 lignite field would be supplying the Power Corporation
15 with as much as a maximum of 700,000 tons of coal and a
16 minimum 350,000 tons of coal, whereas the average last
17 year will be something in the order of 700,000 tons of
18 coal to thermal power in Manitoba.

19 THE CHAIRMAN: Do you publish your annual
20 return, business return?

21 MR. THOMPSON: Yes, sir.

22 THE CHAIRMAN: Could we get a copy of that?

23 MR. THOMPSON: Yes, sir. I will make a
24 note of it.

25 THE CHAIRMAN: What would you say of the
26 possibility of placing men in other industrial occupa-
27 tions in Saskatchewan?

28 MR. THOMPSON: I wouldn't like to comment on
29 that, sir.
30



1 THE CHAIRMAN: You think there would be no
2 demand for them?

3 MR. THOMPSON: Just at a quick review of
4 the specialized skills that are applied down there,
5 I wouldn't say there would be no demand for them, but
6 not knowing what other areas of employment are available
7 in Saskatchewan, I wouldn't be very qualified to speak
8 on that.

9 THE CHAIRMAN: This unfortunate period
10 takes in more than Canada. Take Belgium. What would
11 you say about having 25,000 miners displaced?

12 MR. THOMPSON: It would be a problem.

13 THE CHAIRMAN: That is their problem. So
14 what I am seeking are ideas of how, if it can't be
15 avoided, conditions on a much smaller scale in this
16 country can be dealt with. What would you suggest if,
17 in the event, of which I am quite sure will not happen
18 to you, your minds were closed, what would you suggest,
19 as a businessman, as a way of meeting a situation other
20 than by pure advance of money by a government?

21 MR. THOMPSON: I really haven't brought myself
22 to that contemplating, and before I made any statement
23 on it I would like to give a lot of thought.

24 THE CHAIRMAN: Well, you have the time to
25 make it. I would like to receive it.

26 MR. BROCKELBANK: Mr. Chairman, on the
27 particular question of the opportunities for employment
28 in Saskatchewan, I think it is very important that we
29 remember that Saskatchewan has been the province in Canada
30



1 that has been most predominantly agricultural. It has
2 been going through a revolution in agriculture, farms
3 becoming larger, a smaller number of farms, less number
4 of people working on the farms, and consequently a
5 relatively smaller proportion of the young people
6 raised on the farms now find opportunity on the farms.
7 This process of changing to larger farms, according to
8 the best advice we can get, will continue for some time
9 yet, so that we do have a pressure for employment from
10 a large group of young people who are raised on the
11 farms which makes this situation somewhat more difficult.
12 We have had some very good industrial development and
13 expansion within the province in various lines, and I
14 don't want to go into any detail on that, but we still
15 have not reached the position where Saskatchewan industry
16 is hungry for these people to work for them; it is the
17 other way around.

18 MR. THOMPSON: Mr. Commissioner, perhaps
19 along the lines of what you were saying a moment ago,
20 on April 7, 1959, before the Standing Committee on Mines,
21 Forests and Waters, the Chairman of the Dominion Coal
22 Board quoted the number of employees and the earnings
23 per capita for the week ending December 1, 1958, for
24 the Province of Saskatchewan as being \$102.38 average
25 per capita earning per week for that week for 358 men,
26 which was, oh, considerably higher than the average in
27 any other coal-mining area in Canada for that week.

28 THE CHAIRMAN: Was the employment constant
29 throughout that year?
30



1 MR. THOMPSON: It is fairly constant throughout
2 the year. I think the average is a good 11 1/2 months'
3 employment for our employees throughout the year.

4 THE CHAIRMAN: Will your annual statement
5 show the net return for the year?

6 MR. THOMPSON: In what way, sir?

7 THE CHAIRMAN: The profit on your operations?

8 MR. THOMPSON: Yes, it does.

9 THE CHAIRMAN: So that will be contained in
10 the report?

11 MR. THOMPSON: Yes.

12 THE CHAIRMAN: Unless there is something else
13 to be asked, Mr. Thompson, thank you for your submission.

14 MR. ELLIS: The next brief will be presented
15 by Mr. Heneberg on behalf of the Chamber of Commerce of
16 the City of Estevan and District. This brief will be
17 marked Exhibit No. 3.

18
19 ---EXHIBIT NO. 3: Submission of
20 The Chamber of Commerce
21 of the City of Estevan
22 and District.
23
24
25
26
27
28
29
30



SUBMISSION OF
THE CHAMBER OF COMMERCE
OF THE CITY OF ESTEVAN
AND DISTRICT

APPEARANCE:

MR. D. M. HENEBERG Vice-President and
Secretary-Manager

MR. HENEBERG: I would point out, Mr. Commissioner, that on the title of this submission, we have 1960. It should be 1959, I guess. I might also point out that I think one of the reasons they asked me to present the brief is that I hand-fire a coal furnace at home so I know the coal industry from the working end of a shovel.

THE CHAIRMAN: So do I!

MR. HENEBERG: SUBMISSION TO THE ROYAL COMMISSION ON COAL (1960) BY THE CHAMBER OF COMMERCE OF THE CITY OF ESTEVAN AND DISTRICT.

The City of Estevan has a population of 8,000. It is situated eight miles north of the United States border and ninety miles west of the Manitoba border. Like most of the cities of western Canada, its origin was as a trading centre for homesteaders and then, over the years, it became a village, a town and finally in 1957 a city. Until 1952 Estevan depended, for its existence, and its development entirely on the agricultural industry and the coal industry. Since 1952 some impetus has been given to the growth and development of Estevan by the discovery and production of oil and gas. Throughout its entire history, from its hamlet days to



1 the present, Estevan has been greatly benefited by the
2 coal industry for it lies in the heart of the lignite
3 coalfields of southeastern Saskatchewan. The Town of
4 Bienfait, situated some ten miles east of Estevan, and
5 Estevan itself are and have been the shopping centres
6 for the coalfields.

7 Until 1930, when all mining was underground,
8 the coal mine operators and the miners bought their mining
9 equipment and supplies mainly in Estevan, and since the
10 development of strip mining substantial monies are spent
11 by the coal companies in Bienfait and Estevan and ever
12 since the first lignite coal was mined in this field,
13 the managers, the superintendents, the foremen and all
14 other employees and their families have made the majority
15 of their purchases of food, clothes, household goods and
16 furniture and household appliances in Bienfait and in
17 Estevan.

18 Estevan and district are very conscious of the
19 material and cultural benefits that have accrued to them
20 directly and indirectly from the coal industry and, in
21 consequence, it is of the utmost importance to the
22 communities concerned that the coal industry should be a
23 thriving and prosperous industry, maintaining the maxi-
24 mum employment for those whose lives have been
25 centered around the coal mining industry and their
26 dependents. Not only is the industry of vital importance
27 to its neighboring communities, but to the economic life
28 of the Province as a whole. It was the first and, for
29 many years, the only industry in the Province that, until
30



1 lately, had very few industries within its borders.

2 There is a saying that familiarity breeds
3 contempt and perhaps because the coal industry has been
4 such an important factor in the economic life of the
5 communities and the Province for so long accounts for the
6 fact that it is now the forgotten child of both the
7 Federal and Provincial governments and has been supplanted
8 in the eyes of these governments by its competitors, oil
9 and gas.

10 It is not intended in this submission to give
11 any historical background of the lignite coal industry,
12 but rather to deal with the present and the future.

13 The figures used in this submission are based
14 on the annual survey of the Canadian Coal Mines Operating
15 Costs and Revenues for the year 1958 issued by Dominion
16 Coal Board and dated August 24th, 1959. The figures, in
17 every case, are annual figures and apply to the whole
18 lignite coal industry of southeastern Saskatchewan.

19 I would assume, Mr. Commissioner, you have
20 access to those figures.

21 Inquiries have elicited the information that
22 the number of employees presently engaged in this indus-
23 try is 325 and it would be a fair assumption that between
24 the employees and their families a total of 1400 people
25 are supported directly by the industry and it already has
26 been pointed out that the main shopping centres are
27 Bienfait and Estevan. About one-third of the employees
28 reside at the Mines and one-third in Bienfait and the
29 other one-third in Estevan.
30



1 From statistics and inquiries it has been
2 learned that the annual payrolls of the four companies
3 that are now engaged in the production of coal in the
4 lignite coalfields of southeastern Saskatchewan exceeds
5 \$1,300,000.00. The supplies purchased by the coal
6 mining companies would exceed \$700,000.00 annually.

7 The coal mining industry has been of great
8 material and financial benefit to the Municipalities in
9 which they are situated. It is estimated that the
10 Municipal taxes paid by the coal mining companies exceed
11 \$33,000.00 and the school taxes exceed \$79,000.00
12 annually. For example in the Rural Municipality of
13 Coalfields no. 4 of Bienfait, Saskatchewan, the coal
14 companies pay almost one-half of the school tax.

15 These very substantial contributions by the
16 industry to the taxes imposed by the Municipalities enable
17 these Municipalities to provide and build and maintain
18 roads for the convenience of the inhabitants of the
19 Municipalities and enable the School Districts, which
20 have control of the education of the young people, to
21 provide them with modern schools, good teachers and all
22 the modern equipment that is required for the proper
23 education and training of the youth of the district and
24 these very substantial contributions by the coal companies
25 result in the Municipalities concerned being able to
26 maintain a very low millrate, the benefit of which is
27 enjoyed by the farming communities within the
28 Municipalities concerned.

29 The coal companies also have contributed to the
30



1 revenues of the Province by paying education and hos-
2 pitalization tax and tax on gasoline and other fuel
3 produce. It is common knowledge that one of the major
4 companies producing coal recently purchased a new
5 dragline at a cost of one and one-half million dollars,
6 on which the education and hospitalization tax would be
7 \$45,000.00 and then, in addition to that, the supplies
8 and replacements and repairs for all this equipment come
9 from the United States, where these machines are built
10 and the education and hospitalization tax is also payable
11 on these supplies, replacements and repairs. The total
12 education and hospitalization tax paid by the coal
13 companies annually on supplies, replacements and repairs
14 and excluding capital expenditures exceeds \$21,000.00.
15 Some measure of relief is granted by the Federal
16 Government, because in respect to machinery and equipment
17 that is not manufactured in Canada, no import duty is
18 charged and no sales tax is charged. There has been
19 no assistance of any kind, however, from the Provincial
20 Government and as a matter of fact, not one provincial
21 public building in Saskatchewan burns lignite coal today.
22 It is little wonder that the industry looks upon itself
23 as a forgotten one.

24 This organization is not, of course, in any
25 position to deal with the technical operations of the
26 coal mines, but it is recognized on all sides that the
27 coal companies engaged in the industry are continually
28 looking for more markets and continually increasing
29 the efficiency of their operations in order to exist and
30

1 compete with oil and gas that are more favoured fuels
 2 in this modern day and age.

3 The loss of any part of this industry will be
 4 immeasurable disadvantage to these communities and,
 5 if any illustration of this fact is required, it is only
 6 necessary to refer to examples in Alberta, where mines
 7 have closed down and the Province has been under the
 8 necessity of establishing a fund for moving families from
 9 coal mines that have been closed down to other places,
 10 where employment can be found and it must be remembered
 11 that a man who spends the greater part of his life in
 12 the coal mining industry cannot very well, in the latter
 13 years of his life, change his occupation, without great
 14 sacrifice on the part of his family and himself.

15 Mr. Commissioner, on behalf of the Chamber of
 16 Commerce and the Communities concerned, I want to thank
 17 you for this opportunity that you have so graciously
 18 given us of presenting our views on a subject that is
 19 of vital and permanent interest to us.

20 Submitted on behalf of the Chamber of Commerce
 21 of Estevan and Districts this 2nd day of February,
 22 A.D. 1960.

23 MR. DUNN: I suppose you are quite familiar
 24 with the household affairs in your particular area,
 25 are you not?

26 MR. HENEBERG: Yes, sir.

27 MR. DUNN: Could you tell us if many of
 28 the miners are using oil or gas or sticking to coal?

29 MR. HENEBERG: To be quite truthful, sir,
 30



1 I suppose in the newer houses it is pretty well all gas
2 in the area. The domestic market for coal has been
3 decreasing and the present buildings and new houses,
4 I presume in Estevan, are being serviced with gas, they
5 would put gas in.

6 MR. DUNN: Is there much construction in that
7 particular area?

8 MR. HENEBERG: Yes, especially in the past
9 three or four years. There have been a couple of new
10 subdivisions opened in the city and the oil and gas
11 business has created a healthy business atmosphere within
12 the city.

13 MR. DUNN: Now, on page 2 of your brief, I
14 quote: "There is a saying that familiarity breeds con-
15 tempt and perhaps because the coal industry has been
16 such an important factor in the economic life of the
17 communities and the Province for so long accounts for the
18 fact that it is now the forgotten child of both the
19 Federal and Provincial governments and has been supplanted
20 in the eyes of these governments by its competitors, oil
21 and gas." Have they done anything about the matter
22 with the Provincial Government at all?

23 MR. HENEBERG: The Chamber of Commerce has
24 not had any dealings at all with the Government.

25 MR. DUNN: Or would you know of any organiza-
26 tion whatsoever that has made any advances towards the
27 Provincial Government?

28 MR. HENEBERG: No, I know of none.

29 MR. DUNN: Nor of any to come, I suppose?

30



1 MR. HENEBERG: No.

2 MR. DUNN: And in your brief, which is a
3 very good one, you have mentioned the financial benefits
4 to the municipality arising out of the Coal Companies
5 being in that particular area. Have any of the
6 municipalities or the municipality done anything to help
7 the Coal Company?

8 MR. HENEBERG: That I could not say, sir.
9 I am not connected with the coal industry in any way,
10 shape or form.

11 MR. DUNN: That is all, thanks, Mr.
12 Commissioner.

13 THE CHAIRMAN: Just on that subject, do you
14 think the community should do anything itself to give
15 assistance as well as the Federal Government?

16 MR. HENEBERG: Well, as far as the Chamber of
17 Commerce is concerned, we would render any assistance
18 possible.

19 THE CHAIRMAN: I am not asking your organiza-
20 tion. I am speaking of the local interest. Is it
21 willing to do anything in the way of remission of taxes
22 or anything of that sort?

23 MR. HENEBERG: That I couldn't say.

24 THE CHAIRMAN: Has it been thought of?

25 MR. HENEBERG: That I don't know either.

26 THE CHAIRMAN: It has not been discussed
27 evidently in your Chamber.

28 MR. HENEBERG: No.

29 THE CHAIRMAN: Would you say in your opinion
30



1 that the community might be considered as the one having
2 the greatest interest, it pays almost half --

3 MR. HENEBERG: It would not affect the City
4 of Estevan at all, sir. The mines are situated in the
5 Rural Municipality of Coalfield namely. It would have
6 to be up to that municipality whether there were any
7 tax concessions at all.

8 THE CHAIRMAN: I see that in the Rural Municipality of Coalfield, the companies pay almost one-half
9 of the school tax. It amounts to \$79,000 and \$32,000
10 for municipal taxes.

11 MR. HENEBERG: I can give you the total school
12 tax, \$163,205.

13 THE CHAIRMAN: Yes. \$79,000 of that is paid.
14 Between the Province and the community, they could
15 together do some help if it is needed in any situation,
16 couldn't they?

17 MR. HENEBERG: I would assume, sir.

18 THE CHAIRMAN: Would you be ready, as one
19 man, to urge that that be done to some extent?

20 MR. HENEBERG: Well, I don't know what financial shape the municipality is in, but we would certainly,
21 as far as the Province is concerned, feel there should
22 be a tax concession there. As I pointed out on the
23 dragline, there was \$45,000 in sales tax and the Federal
24 Government raised the import duties on equipment not
25 manufactured in Canada. I cannot answer for the
26 municipalities.

27 THE CHAIRMAN: Oh no, I am asking you what you
28
29
30



1 think as one of the taxpayers.

2 MR. HENEBERG: I think there should be some
3 relief, yes. The tax relief would be substantial
4 saving. \$45,000 is an exceptional case. You don't
5 buy those machines every year.

6 THE CHAIRMAN: Well, the fact is there has
7 been no move, no suggestion of that up to the moment.

8 MR. HENEBERG: Not as far as I know, sir.

9 MR. DUNN: Thank you very much.

10 MR. ELLIS: Mr. Commissioner, the next brief
11 will be presented by Mr. J. Hugh McDonald on behalf of
12 the Dominion Briquettes and Chemicals Limited, Winnipeg,
13 Manitoba. This brief will be marked as Exhibit No. 4.

14

15 ---EXHIBIT NO. 4: Submission of
16 Dominion Briquettes and
17 Chemicals Limited.

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SUBMISSION OF

DOMINION BRIQUETTES AND CHEMICALS LIMITED

APPEARANCE:

MR. J. HUGH McDONALD President and General-Manager

MR. McDONALD: In the preparation of this brief, I have reviewed the brief submitted on behalf of this company in Regina on April 19, 1945 at the request of the last Dominion Royal Commission on Coal. This brief was presented by my father, who I succeeded as President and General Manager following his death in 1956. I take it that the 1945 brief is available to the Commission, and that it contains a sufficient summary of the origin and history of the Bienfait briquette plant for the purposes of the Commission. The following brief outline should constitute a sufficient background in order to explain why we are here today.

Our company owns and operates a Lurgi carbonization plant near Bienfait in which some 80,000 to 90,000 tons annually of Saskatchewan lignite are carbonized. In this process the moisture and many of the volatiles which are large components of Saskatchewan lignite are removed, and the resultant char is mixed with an asphalt binder (made in Saskatchewan), and briquetted. Lignite tar is produced as a by-product, and is then distilled to produce creosote. Our briquettes are of a sufficiently high quality as a domestic fuel to command prices equal to the best Alberta hard coal. By up-grading Saskatchewan lignite in this way we have consequently been able to sell our briquettes as a high-grade coal fuel for hand-fired



1 furnaces in the markets of Southern Saskatchewan and
2 Manitoba, against the stiff competition of Drumheller
3 coal. In this market area, by the way, freight rates
4 play a large part and the freight advantage which we
5 enjoy over more distant Alberta coals has been and
6 continues to be a key to our survival.

7 As the years have gone by, the market for
8 hand-fired coals has diminished, as is well known to the
9 Commission. The Gordon Commission on Canada's Economic
10 Prospects reported this trend, and foresaw two direc-
11 tions in which the coal industry could move, i.e. into
12 the cheap fuel market for the low cost production of
13 thermal power, and into the chemical field. We have
14 pursued the latter course, while others have pursued
15 the former. About one year ago we decided to embark on
16 an extensive (for us) program of research and development.
17 We hired a qualified chemical engineer and a Director
18 of Research and Development, completely equipped a
19 modern laboratory, and retained a consultant to advise us
20 in overall programming. To date we can report consider-
21 able progress towards developing new uses for the char,
22 but very little in connection with the necessary
23 laboratory investigation of the lignite tar.

24 In dealing with our tar, we soon discovered
25 that lignite tar was very different from other coal tars.
26 As the only producers of the substance in this country
27 we also discovered that we could look to no one else for
28 help in our research into it. Furthermore, we were faced
29 with not only a declining market for our briquettes, but
30



1 a declining market for creosote, in which form we had
2 heretofore sold our tar. In the course of searching for
3 other markets for this tar, our laboratory soon became
4 involved in basic research.

5 Now in our view, if there is any place for government
6 aid in research, and we believe there certainly is in a
7 relatively small country like ours, it lies particularly
8 in the field of basic research. Our enquiries of the
9 Department of Mines & Technical Surveys and the National
10 Research Council laboratories gives us to understand that
11 no research has been done in those departments on lignite
12 tar for many years. We therefore intend to request
13 their assistance in research into the very complex
14 structure of lignite tar, and sincerely hope that this
15 assistance is forthcoming. This form of government
16 assistance is the only one which we request, as we
17 believe that wherever possible private industry should
18 stand on its own feet.

19 Our company is a small one, consuming a relatively
20 small tonnage of coal, and expansion of our capacity has
21 not been heretofore justified on economic grounds.
22 However we feel confident that with this small amount
23 of assistance to our already extensive research and
24 development program, we will be able to place our plant
25 on a sound economic basis for the long-term future.
26 This future will certainly mean more jobs created by
27 our private industry in Saskatchewan, will certainly mean
28 increasing amounts of U.S. currency earned in exporting
29 our products to the U.S., and may eventually justify our
30



1 expanding our capacity. We bespeak your Lordship's
2 assistance in this regard, and thank you most sincerely
3 for the opportunity of presenting this brief.

4 MR. DUNN: Mr. McDonald, have you made any
5 application to any source whatsoever for financial
6 assistance into research work?

7 MR. McDONALD: Not financial assistance, no.
8 We have requested and received some assistance from
9 the Saskatchewan Research Council for our programme,
10 but we find that when we wanted a real job done that
11 we would have to sponsor, that is to pay for it to be
12 done.

13 MR. DUNN: To what extent was some support
14 given to you by the unit to which you have just referred?

15 MR. McDONALD: Well, it is affiliated with
16 the University of Saskatchewan and over a period of
17 some years, whenever a subject was kept before their
18 attention or in the event of there being any, say,
19 graduate students looking around for research program-
20 ming, to carry it out at some research office. However,
21 it was not the co-ordinated programme unfortunately and
22 it just touched the edges of the problem we were
23 facing.

24 MR. DUNN: You did not receive any financial
25 assistance then, did you?

26 MR. McDONALD: No.

27 MR. DUNN: I notice in your brief that you
28 say there that there is not much research going on now.

29 "Now, in our view, if there is any place for
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1 government aid in research, and we believe there
2 certainly is in a small country like ours, it lies
3 particularly in the field of basic research. Our
4 inquiries of the Department of Mines and Technical
5 Surveys and the National Research Council Laboratories
6 gives us to understand that no research has been done
7 in those departments on lignite tar for many years."

8 Now, when did you receive that information?

9 MR. McDONALD: I visited the Forest Products
10 lab of the Department of Mines and also the Coal
11 Research lab last -- I believe it was -- April or May
12 and obtained that impression from them.

13 MR. DUNN: April or May of what year?

14 MR. McDONALD: 1959.

15 MR. DUNN: Well, I gather from your brief
16 what you are mostly interested in is to receive finan-
17 cial assistance for further chemical research.

18 MR. McDONALD: Well, basic research. Applied
19 research, I think, is the job of private industry to do,
20 but when you get into the realm of basic chemical
21 research I think it is perhaps beyond the means of the
22 average Canadian company.

23 MR. DUNN: Thank you, Mr. McDonald.

24 THE CHAIRMAN: You may have answered this
25 before, but I did not quite catch it. You know there
26 is a Provincial Research Bureau.

27 MR. THOMPSON: Yes.

28 THE CHAIRMAN: Have you approached it?

29 MR. THOMPSON: Yes, sir, and we have received
30



1 a degree of -- well -- very good treatment from them,
2 but as I just explained, they have done a certain amount
3 of research with us throughout the years, but when we
4 went into it to develop that, if we were to get into the
5 basic research, which we feel is necessary, that we
6 would have to pay for it and sponsor a co-ordinated
7 programme.

8 THE CHAIRMAN: That is pay for it in the
9 Province.

10 MR. McDONALD: Yes, if it was to be done through
11 the Saskatchewan Research Council.

12 THE CHAIRMAN: Have you communicated with
13 the National Mines Research in any way?

14 MR. THOMPSON: Yes, sir.

15 THE CHAIRMAN: Well, what answer did you get
16 from them?

17 MR. McDONALD: I paid a visit there. I
18 should point out in this brief there we have not put a
19 specific programme before the National labs of which
20 you speak, but in obtaining information from them last
21 April or May, when I visited there, I gathered that
22 there had been no research done into lignite tar for
23 many years. I gathered they were much more pre-
24 occupied with perhaps a larger programme elsewhere.

25 THE CHAIRMAN: I just wanted to be sure
26 whether you went to the Department of Mines or the
27 Department of Forest Products Laboratory.

28 MR. McDONALD: I went to both, sir.

29 THE CHAIRMAN: You went to both?
30



1 MR. McDONALD: Yes.

2 THE CHAIRMAN: And did the representative
3 of the Dominion Mines Department speak of the work
4 done by the Research in Saskatchewan?

5 MR. McDONALD: No, sir. They would not ---

6 THE CHAIRMAN: I think he was familiar with
7 the results of that research before it was available to
8 you.

9 MR. McDONALD: Which research do you mean, sir?

10 THE CHAIRMAN: I mean the research in this
11 Province which you asked for.

12 MR. McDONALD: Yes, sir. That was available
13 to him. We had already obtained that information.
14 That was no doubt familiar to the gentleman to whom I
15 spoke, but that was done some years ago.

16 THE CHAIRMAN: The difficulty is that the
17 fundamental and basic research as in this Province must
18 be borne in expense by you as well as by the Province
19 or is it totally and wholly by you?

20 MR. McDONALD: Well, I gather that except
21 for -- I think the policy of the Saskatchewan Research
22 Council was that I am speaking from my impressions,
23 that we would not have to pay their operating expenses.
24 The facilities available there would be available, but
25 to that extent only the expense would be borne by the
26 Province, but the time involved for chemists to carry
27 out the programme and lay it out would, I gather, be
28 largely if not entirely our responsibility.

29 THE CHAIRMAN: Is that a general rule or is
30



1 it applicable only to an industry with your individual
2 function?

3 MR. McDONALD: I couldn't answer that, sir.

4 MR. BROCKELBANK: Mr. Chairman, should I
5 try to answer that? I am not too conversant with the
6 Saskatchewan Research Council and its policies, but I
7 believe that the Council carries on some basic and
8 applied research on questions which are considered to
9 be of general and important interest to the Province.

10 Then for special projects, such as the one
11 that has been mentioned here, the facilities which are
12 there at Saskatoon in the laboratory are available, but
13 the person who wants the special work done, as Mr.
14 McDonald has stated, pays for the actual operating
15 expenses which would include none of the overhead of
16 the building and equipment. However, they might also
17 have to pay for any special equipment which they had
18 to acquire for that and of course if they paid for that
19 equipment, it would belong to them. Very large number
20 of companies on that basis did ask the Saskatchewan
21 Research Council to do certain jobs for them.

22 THE CHAIRMAN: Well then, you do not consider
23 that the investigation which Mr. McDonald is seeking is
24 of such general interest as you have said within the
25 first part of your answer.

26 MR. BROCKELBANK: I think that the question
27 of what might be termed general interest would be more
28 in connection with an industry like agriculture, which
29 is on a widespread individual basis and would have no way
30



1 of putting forward a programme; whereas industries
2 which are organized it is recognized if they want
3 something done, they are generally in a position to make
4 some contribution to it.

5 The necessity of making a contribution to it
6 I think is there because Council is limited to the work
7 it can do. If it is completely free and any associa-
8 tion could ask for any particular work, they would
9 probably have such a line-up of projects, they would
10 never get through them for years.

11 THE CHAIRMAN: What would you say, Mr.
12 Minister, of the responsibility of the Province compared
13 with the responsibility of the Dominion in looking
14 after a matter of this sort? Would you say that that
15 ought to be something assumed by the Dominion?

16 MR. BROCKELBANK: Well, this field of
17 research in many lines, of course, is divided between
18 the Province and the Dominion, I think, quite properly
19 and I think there is value in having different agencies
20 engaged in research. You will get more results and
21 of course, the government can consider any special case
22 on its merits and develop a policy on that particular
23 case.

24 THE CHAIRMAN: Have you had occasion to
25 consider this particular matter of an application for
26 research from this company?

27 MR. BROCKELBANK: I don't think so, not to
28 my knowledge. I am not a member of the Research
29 Council but usually such a question, I think, would come
30



1 to the Cabinet and I would hear about it, sir. I don't
2 think that has ever been discussed.

3 THE CHAIRMAN: Mr. McDonald, you are the
4 only company operating and producing these substances;
5 briquettes and so on.

6 MR. McDONALD: Yes, sir. I should point out
7 that the Ottawa labs that I have mentioned have done
8 more research than anyone else, but nothing has been
9 done for some years on lignite tar, since the war
10 years actually. The research that they do in connection
11 with the coal chemistry itself is closely allied to
12 the lignite research and my point in raising the point
13 here really today was to point out that they are more
14 familiar with the problems than perhaps any other
15 research organization.

16 THE CHAIRMAN: Well, it involves the chemical
17 possibilities of the by-products.

18 MR. McDONALD: Yes.

19 THE CHAIRMAN: And what is the relation of
20 that to the amount of coal consumed? Take your market
21 for creosote as one thing. Would that call for any
22 substantial quantity of coal?

23 MR. McDONALD: How do you mean, sir?

24 THE CHAIRMAN: Well, if you got basic
25 research, and I assume you are looking forward to some-
26 thing possible in the way of expansion of its utiliza-
27 tion in chemical form -- if you had that, what would be
28 the demand of coal in any market that you could look
29 forward to?
30



1 MR. McDONALD: I believe I pointed out
2 that I don't think the expansion of the plant could
3 be looked forward to as a result of the tar sands.
4 It would be a very optimistic view indeed to hope for
5 an expansion of our plant based on ---

6 THE CHAIRMAN: In any other part of the world,
7 have they been able to pursue that to any profitable
8 purposes?

9 MR. McDONALD: Yes, they have.

10 THE CHAIRMAN: You are acquainted with
11 that research?

12 MR. McDONALD: Yes.

13 THE CHAIRMAN: It is available to you?

14 MR. McDONALD: Yes, it is.

15 THE CHAIRMAN: Is it worth trying?

16 MR. McDONALD: Yes.

17 THE CHAIRMAN: What is to prevent you from
18 trying it, on the basis of what has actually been done?

19 MR. McDONALD: Once again, our lignite is
20 a little different chemically from, say, lignite where
21 this research has been carried to a further point.

22 THE CHAIRMAN: I have been informed that
23 the market in this country has been pretty well
24 saturated and in the next place the demands on coal
25 are minor, that is quantitatively. Now, would you
26 agree with that?

27 MR. McDONALD: Yes, I would agree.

28 THE CHAIRMAN: So it is an interest, we
29 might say, rather peculiar to that industry.
30



1 MR. McDONALD: Yes.

2 THE CHAIRMAN: Well, I am glad to see that
3 you say that, wherever possible, private industry
4 should stand on its own feet. It is rather a
5 relief.

6 Thank you very much.

7 MR. BROCKELBANK: Mr. Chairman, could I ask
8 Mr. McDonald a few questions?

9 THE CHAIRMAN: Yes.

10 MR. BROCKELBANK: If you had, through
11 research, good uses for your by-products so that you
12 could market them in much larger quantities at a fair
13 price, would that put you in an excellent position for
14 selling more briquettes?

15 MR. McDONALD: We are selling our entire
16 production now, so in order to sell more briquettes,
17 we would have to expand our capacity.

18 MR. BROCKELBANK: The by-products are an
19 important item. If you couldn't sell any by-products,
20 it would be a pretty tough proposition producing
21 briquettes.

22 MR. McDONALD: Yes, it would be tough.

23 MR. BROCKELBANK: The more you could sell,
24 you would have some margin to carry your operation.

25 MR. McDONALD: Yes.

26 MR. BROCKELBANK: Do you sell your creosote
27 in Saskatchewan?

28 MR. McDONALD: Yes.

29 MR. BROCKELBANK: For wood treatment?
30



1 MR. McDONALD: Yes, in Prince Albert, where
2 we think it is has the result of lowering the cost of
3 treating all the tremendous number of power poles in
4 the power corporation expansion.

5 MR. BROCKELBANK: They are treated with your
6 creosote?

7 MR. McDONALD: Yes, partially, and we use
8 Saskatchewan asphalt from Moose Jaw in our briquettes.
9 It is this ability to find use for our product in tar
10 that I think is going to be necessary.

11 THE CHAIRMAN: Are you the only producer of
12 creosote in the Province?

13 MR. McDONALD: Yes.

14 THE CHAIRMAN: How many creosoting operations
15 are in the Province?

16 MR. McDONALD: There are two.

17 THE CHAIRMAN: Where the treatment is given?

18 MR. McDONALD: There are two creosote plants
19 in the Province.

20 THE CHAIRMAN: Where are they?

21 MR. McDONALD: They are at Prince Albert.

22 THE CHAIRMAN: And do you give them their
23 entire supply?

24 MR. McDONALD: No. Our creosote is used
25 mixed with creosote made from straight coal tar creosote,
26 made from bituminous coal.

27 THE CHAIRMAN: Where is that made?

28 MR. McDONALD: It is made either at Sault
29 Ste. Marie or Port Arthur and shipped in, I believe.
30



1 THE CHAIRMAN: Well, we will bring what
2 you say to the attention of the Mines Department in
3 Ottawa, and they may be able to answer you satisfactorily.

4 Mr. Thompson, may I ask you a few questions
5 further?

6 MR. THOMPSON: Yes, sir.

7 THE CHAIRMAN: Would you mind describing the
8 work done by the different classes of workmen you have?
9 What is the nature of their actual work? They don't
10 shovel coal.

11 MR. THOMPSON: No.

12 THE CHAIRMAN: They don't mine it?

13 MR. THOMPSON: No.

14 THE CHAIRMAN: They operate machines.

15 MR. THOMPSON: Yes.

16 THE CHAIRMAN: What percentage of them
17 operate machines?

18 MR. THOMPSON: I am trying to do a little
19 counting. I have never had that question put to me in
20 that way. One moment. One kind of another, including
21 trucks, I would think that better than 75 per cent of
22 them or 80 per cent are actually operating some sort of
23 a machine or mechanical equipment in some way.

24 THE CHAIRMAN: What would the remainder be
25 doing?

26 MR. THOMPSON: Well, you would have the
27 very few common labourers that we do have; you would
28 have track men repairing our track, because we have a
29 spare track -- I think it runs about 4 1/2 miles to
30



1 Bienfait -- and we keep, oh, around about 2,000 feet of
2 that, including all our yards, in order; you would have
3 the various caretakers, and you would have your firemen
4 of the stationary boilers.

5 THE CHAIRMAN: Burning coal?

6 MR. THOMPSON: Burning coal -- night watchmen.

7 THE CHAIRMAN: I see. How do their ages
8 range?

9 MR. THOMPSON: We had a cheque of that a
10 while ago, and I think the biggest percentage ran between
11 the ages of 35 and 50, a very small percentage over 60
12 and quite a small percentage under 35. If the Commission
13 would like it, I think those figures are available.
14 I will get them for you, sir.

15 THE CHAIRMAN: And you might also include the
16 years employed with you, the length of service.

17 MR. THOMPSON: Yes, sir. What you would
18 like is an age grouping of employees and a grouping
19 within that age grouping of the length of service.

20 THE CHAIRMAN: Yes. I suppose most of them
21 are married.

22 MR. THOMPSON: Yes. We have about 63 or
23 64 houses on our camp site that are all filled at the
24 present time.

25 THE CHAIRMAN: Do you make any provision
26 for pension?

27 MR. THOMPSON: We make a payment to the
28 welfare fund of the United Mine Workers.

29 THE CHAIRMAN: And that secures them a
30 pension?



1 MR. THOMPSON: Yes. I can't tell you
2 exactly what the conditions of it are, but I am sure
3 it will be available to your Commission.

4 THE CHAIRMAN: It is 65.

5 MR. THOMPSON: 65, I believe it is, sir.
6 Is it 62? It is 62.

7 THE CHAIRMAN: Thank you.

8 Is there anyone else who would like to make a
9 statement or ask a question or engage in any form of
10 discussion, because this is just a discussion between
11 people who are interested in this important matter?

12 MR. DUNN: Mr. Chairman, is there anyone from
13 the A.M.W. present in the audience? Mr. Thompson, is
14 there anyone from the A.M.W.?

15 MR. BOYD: Yes.

16 MR. DUNN: Could you give any enlightenment
17 to the Commissioner from the A.M.W. point of view?

18 MR. BOYD: In what way?

19 MR. DUNN: In any way which would help the
20 Commissioner.

21 MR. BOYD: It is our intention to present
22 a brief when the Commission comes to Alberta. We are
23 only here today looking in to see who the personnel
24 of the Commission are. But, it is our intention to
25 present a brief at that time.

26 THE CHAIRMAN: If there is no one else who
27 cares to make a statement or ask questions -- Mr.
28 Minister, do you know whether Mr. Warren of the Research
29 Department is intending to come to the hearing?
30



1 MR. BROCKELBANK: I hadn't heard, sir. He
2 is at Saskatoon.

3 THE CHAIRMAN: Well, if there is nothing
4 further to present, the Commission will adjourn
5 indefinitely. But I want to say that we will be
6 here at least until tomorrow at noon, and if anybody
7 cares to make any representations, we would be glad to
8 receive them.

9 I think tomorrow afternoon we will be going
10 down to the coalfields. So, therefore, we will adjourn
11 this hearing now indefinitely, without a date.

12
13 ---Whereupon the hearing was adjourned.
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APPENDIX TO SUBMISSION TO
THE ROYAL COMMISSION ON COAL

Maps and Tables

MAPS

Coal Areas of Saskatchewan

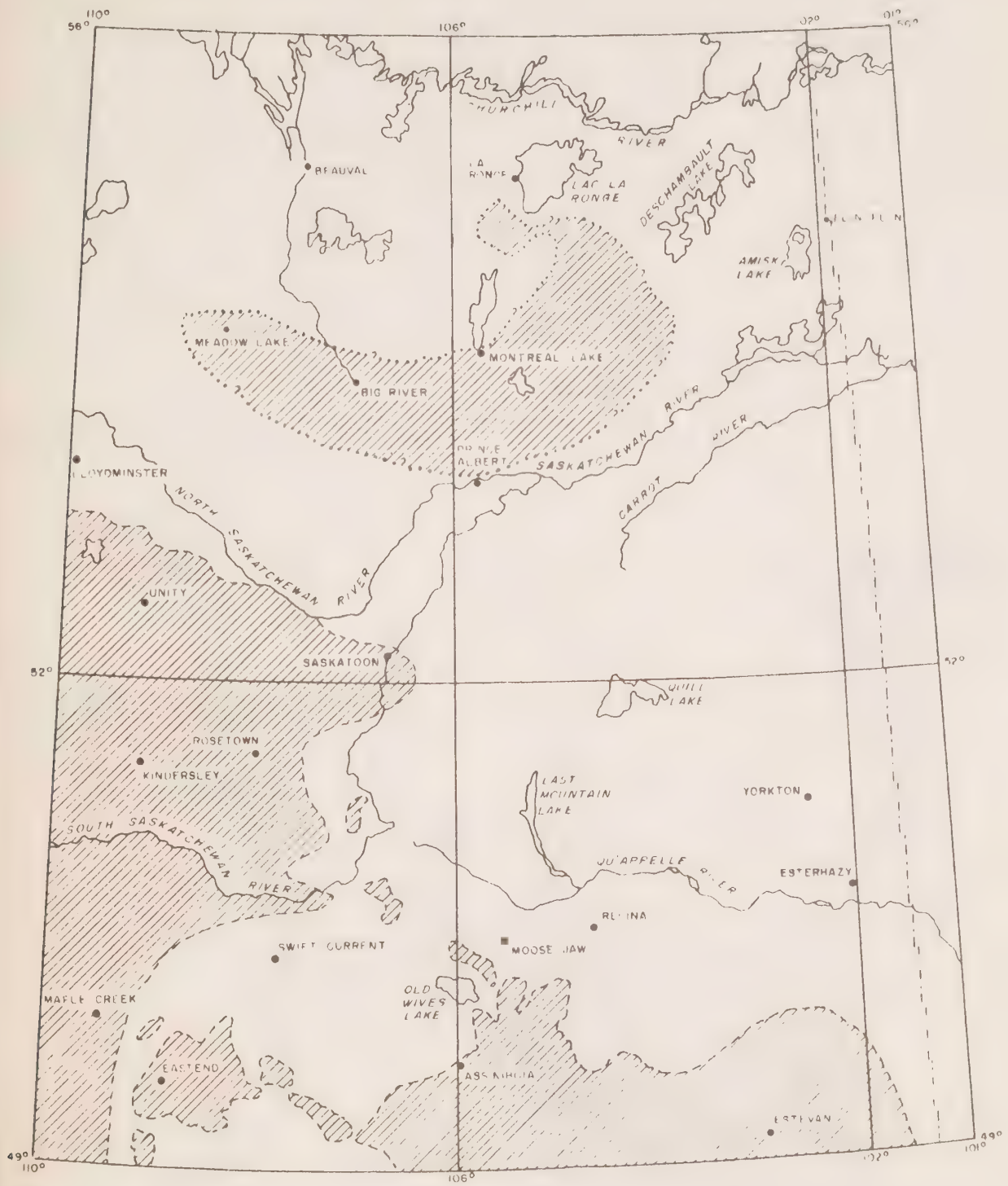
Tertiary Coalfields Southern Saskatchewan

TABLES

Table I - Classification of Coals by Rank

Table II - Saskatchewan Coal Reserves

Table III - Saskatchewan Coal Sales Distribution
for years 1949 to 1958.






COAL AREAS OF SASKATCHEWAN

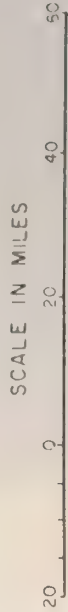
SCALE — MILES



LEGEND

-  COAL AREA
-  APPROXIMATE BOUNDARY
-  ASSUMED BOUNDARY

TERTIARY COALFIELDS SOUTHERN SASKATCHEWAN



LEGEND

TERTIARY FORMATIONS

WOOD MOUNTAIN FORMATION

UPPRESS HILLS FORMATION

RAVENSBRAG FORMATION
(CONTAINS COMMERCIAL COAL SEAMS)

PRODUCING COALFIELD 1959

POTENTIAL COALFIELDS

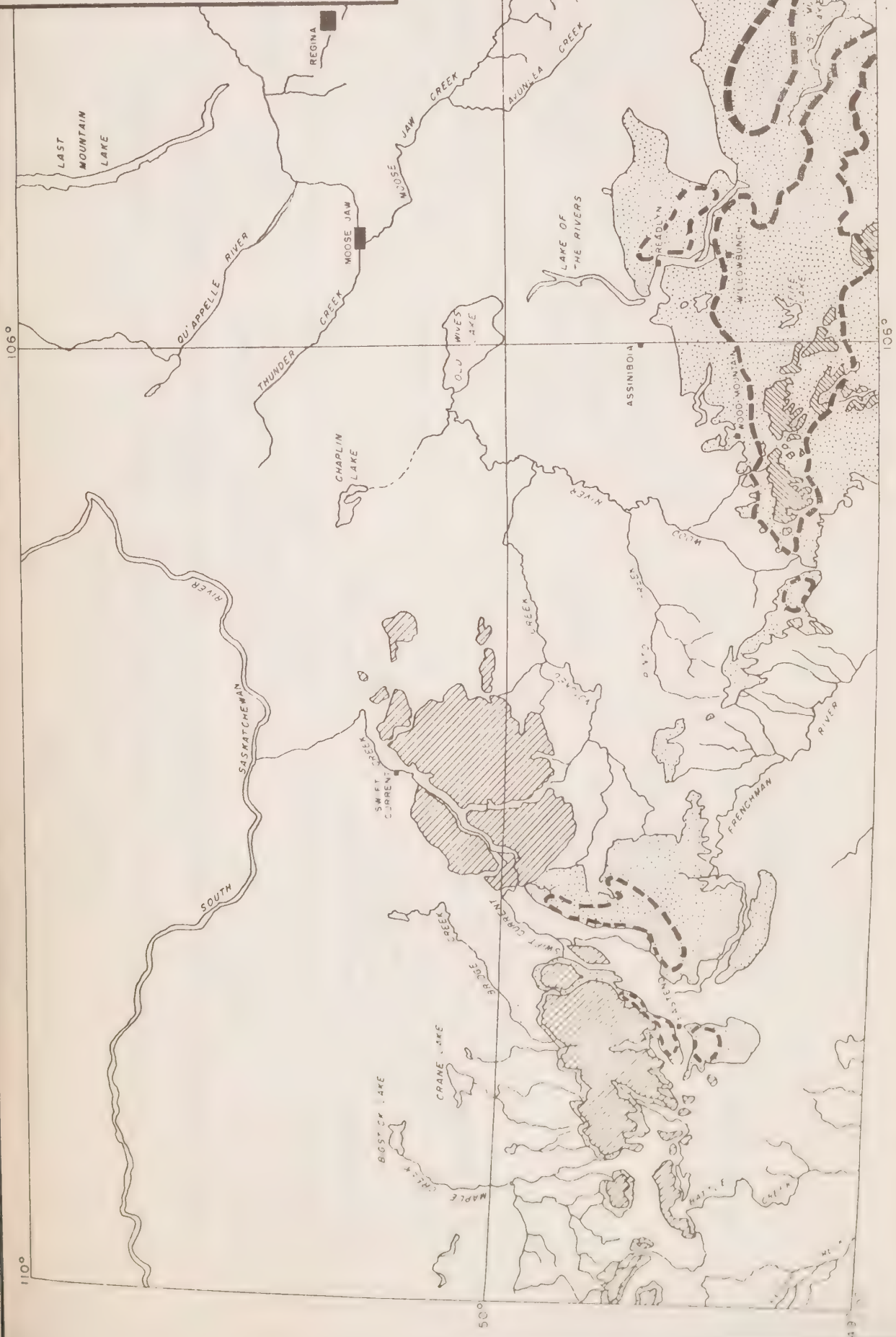




TABLE I

Classification of Coals by Rank

Legend: F.C. = fixed carbon, B.t.u. = British thermal unit, M= moisture, A = ash, V = volatile matter

Glass	Group	Limits of Fixed Carbon (all dry)	Heat Value B.t.u. /lb	Range of composition
I Anthracitic	1. Meta-anthracite 2. Anthracite 3. Semianthracite	98% or more 92% to 98% 86% to 92%		
II Bituminous	1. Low volatile bituminous coal 2. Medium Volatile bituminous coal 3. High Volatile A bituminous coal 4. High Volatile B bituminous coal 5. High volatile C bituminous coal	78% to 86% 69% to 78% less than 69%	14,000 or more 13,000 to 14,000 11,000 to 13,000	M= 1-2%, A = 8-10%, V= 10-16% M = 1-4%, A= 8-15%, V = 20-36% M = 7-12%, A= 7-13%, V = 32-35%
III Subbituminous	1. Subbituminous A coal 2. Subbituminous B coal 3. Subbituminous C coal		11,000 to 13,000 9,500 to 11,000 8,300 to 9,500	M= 16-30%, A = 6-12%, V = 26-32%
IV Lignitic	1. Lignite 2. Brown coal		less than 8,300	M = 29-31%, A = 5-9%, V = 25-28%

TABLE II

Saskatchewan Coal Reserves
(Thousands of Net Tons)

<u>Area</u>	<u>Mineable</u>		<u>Recoverable</u>	
	<u>Probable</u>	<u>Possible</u> (additional)	<u>Probable</u>	<u>Possible</u>
Southern Saskatchewan - Souris River Valley - (Estevan)	7,050,400	6,400,800	3,525,200	3,200,400
Wood Mountain - Willowbunch -	5,420,800	3,897,600	2,710,400	1,948,800
Cypress Hills -	603,600	302,400	301,800	151,200
Western Saskatchewan -	52,080	403,200	26,040	201,600
Total	13,126,880	11,004,000	6,563,440	5,502,000

TABLE III

Saskatchewan Coal Sales Distribution for years 1949-1958
(Short tons)

(Does not include coal used in company locomotives or coal sold to company employees - but does include coal used in the manufacture of briquettes.)

YEAR	B.C.	ALTA.	SASKATCHEWAN	MANITOBA	ONTARIO	U.S.A.
1949	--	--	662,916	1,028,616	93,465	1,502
1950	5	127	733,208	1,227,221	179,774	1,270
1951	--	--	721,685	1,189,097	230,879	957
1952	--	--	697,983	1,089,341	250,122	468
1953	--	745	675,585	1,072,441	238,549	454
1954	--	885	660,565	1,111,898	262,926	1,274
1955	--	1,153	757,739	1,194,119	276,915	--
1956	--	242	755,844	1,225,276	260,194	9,178
1957	--	--	751,216	1,140,161	292,660	9,393
1958	--	--	893,476	1,157,466	214,524	9,612

ROYAL COMMISSION

ON

COAL

UNCORRECTED TRANSCRIPT

Royal Commission on Coal(1959)

HEARINGS

HELD AT

MONTREAL, QUEBEC

VOLUME No.:

2

DATE:

FEBRUARY 9 1960.

OFFICIAL REPORTERS
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ANGUS, STONEHOUSE & CO. LTD.
TORONTO, ONTARIO

1
2 ROYAL COMMISSION ON COAL

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4 Proceedings of hearings
5 Held in the ICAO Building,
6 Montreal, Quebec, on the
7 9th day of February, 1960,
8 at 10.00 a.m.
9

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11
12 HON. I.C. RAND, Q.C.,

Chairman

13
14 DR. A.E. CAMERON.

Technical Advisor
to the Commission

15
16 COMMISSION COUNSEL

17
18 MR. W.A. GUNN, Q.C.
19
20
21

22
23
24 Mr. W. Keith Buck

Secretary

25 Mr. J.J. Ellis

Administrative Officer
26
27
28
29
30



1
2 MR. ELLIS: Mr. Commissioner the first
3 presentation will be given by Mr. J.F. Moriarty on
4 behalf of the Candian Pacific Railway. His report
5 will be recorded as Exhibit No. 5.
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10 ---EXHIBIT NO. 5: Submission of the
11 Canadian Pacific Railway.
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SUBMISSION OF
THE CANADIAN PACIFIC RAILWAY

APPEARANCES:

Mr. J.F. Moriarty

Fuel Purchasing Agent
Canadian Pacific Railway

MR. MORIARTY: Mr. Commissioner, Members
of the Royal Commission, Gentlemen. With the advent
of the diesel locomotive, and because of the major
economy of operation which it made possible, Canadian
Pacific Railway Company has within comparatively
recent years moved from its former position as one
of the major consumers of bituminous coal to one of
relative insignificance.

This year, in all likelihood, will see the
completion of the company's dieselization program
and concurrently the disappearance of locomotive coal.

As a matter of record, the Commission might
be interested in the extent of the company's purchases
of locomotive coal over the past 15 years, and this
information, broken down as to sources and consumption
areas, appears on the attached statement.

It is of course impossible to predict with
any degree of accuracy what the future holds in the



1
2 field of railway motive power, but certain it is that
3 at the present time the diesel locomotive occupies
4 the dominant position, and is not likely to be dis-
5 placed over the near term.

6 Consumption of coal in stationary boiler
7 plants operated by the company is not significant, but
8 the record for the past 15 years appears on attached
9 statement, and may possibly be of interest.

10 In this field coal is competing with oil
11 and natural gas and the future trend will depend on
12 the relative cost per unit of heat. Thank You.

13 MR. GUNN: Mr. Moriarty, just one or two
14 questions that I would like to ask that might clarify
15 a point or two for the Commissioner.

16 Now, you say there that it looks as if the
17 future use of coal is meagre; right?

18 MR. MORIARTY: Right.

19 MR. GUNN: Have you given any thought at
20 all as to the development of the coal fired turbine
21 engine?

22 MR. MORIARTY: Well, no, we haven't.
23 Not yet, but I understand the National Research Council
24 are working on it.

25 MR. GUNN: But your company is not doing
26 anything?

27 MR. MORIARTY: Not as yet.

28 MR. GUNN: There is nothing, then, by way
29
30



1 of information that you could give of any account?

2 MR. MORIARTY: That is right, sir.

3 MR. GUNN: Now, coming to space heating,
4 about how much coal do you use for space heating or
5 are you in a position to tell us that this morning?

6 MR. MORIARTY: No. We do not have
7 that information broken up, but I would say it is
8 relatively little, very little coal. We use mostly
9 coke and now we are using oil; but coal is very little.

10 MR. GUNN: In the foreseeable future will
11 you be getting away from coal?

12 MR. MORIARTY: Away from coal, definitely.

13 MR. GUNN: I think that is all I have to
14 ask, Mr. Commissioner.

15 THE CHAIRMAN: Are there any other
16 questions to be put to Mr. Moriarty?

17 (No reply)

18 I suppose your diesel utilization of oil,
19 from present prospects, will depend upon the continued
20 supply of oil?

21 MR. MORIARTY: Well, yes.

22 THE CHAIRMAN: And are you in a position
23 to say what your investment in diesel locomotives
24 up to the present time or to the end of this year
25 will be?

26 MR. MORIARTY: No, sir, I don't have those
27 figures.

28 MR. LUMMIS: No, we haven't got the
29 figures. We will be completely dieselized this
30



1 year, though.

2 THE CHAIRMAN: I would just like to know
3 what the investment is because it has a bearing upon
4 the continuance of it. You can't change the
5 investments over from year to year.

6 Could you let me have that?

7 MR. LUMMIS: We will be very pleased
8 to get it for you, sir.

9 THE CHAIRMAN: I suppose you do not
10 anticipate any other fuel than oil in the future, so
11 far as you foresee it?

12 MR. LUMMIS: Not at the moment. I
13 believe that most of the experiments in the turbine
14 field are now turning towards oil as the fuel. The
15 Union Pacific have a gas turbine diesel locomotive, I
16 believe; that is using oil.

17 THE CHAIRMAN: You say that the diesel
18 locomotive is not likely to be displaced in the near
19 term. Just approximately what have you in mind as
20 a period of time within which there will be no change
21 from your present methods?

22 MR. MORIARTY: It would be at least five
23 years, if not much longer.

24 THE CHAIRMAN: Would you make that in-
25 vestments that you have for 5 years?

26 MR. MORIARTY: No. That is right.

27 THE CHAIRMAN: Would it be less than 25?

28 MR. MORIARTY: I would definitely say it
29 could be.
30



1 THE CHAIRMAN: That question really is
2 involved in the investment that you have made. As
3 I would understand it, your steam locomotives have
4 been virtually turned over to the scrap yard?

5 MR. LUMMIS: Apart from those which we
6 have as stand-bys, yes.

7 THE CHAIRMAN: Do you mean to say you
8 have no conception at all of the period over which
9 you will be continuing in your present use of oil for
10 your locomotive future?

11 MR. LUMMIS: Well, at the moment, sir, it
12 is indefinite. We have no plan.

13 THE CHAIRMAN: It is indefinite. Have
14 you based it on the opinions of oil experts?

15 MR. LUMMIS: Our research department
16 have made considerable studies, of course, of the
17 situation.

18 THE CHAIRMAN: Would you contemplate a
19 change within 25 years? I know that you cannot
20 say absolutely, but I mean as a business judgment?

21 MR. LUMMIS: It depends entirely on the
22 development which takes place in these other fuels.

23 THE CHAIRMAN: What do you mean by
24 development?

25 MR. LUMMIS: These experiments that are
26 going on in other types of power.

27 THE CHAIRMAN: But what are they?

28 MR. LUMMIS: Turbine largely at the
29 moment.
30



1 THE CHAIRMAN: Will that affect the
2 difference between oil and coal?

3 MR. LUMMIS: Well, as I say, the trend
4 at the moment is, as far as we know, to use oil in these
5 turbine engines.

6 THE CHAIRMAN: And that is what you are
7 using?

8 MR. LUMMIS: But there has been -- I
9 believe McGill University abandoned their experiments
10 with the coal burning diesel.

11 THE CHAIRMAN: You have no present in-
12 vestigation to substitute anything for oil?

13 MR. LUMMIS: Not necessarily in a formal
14 investigation, except that our research department
15 are watching the results of any of these experiments.

16 THE CHAIRMAN: Can you convert these
17 large diesel locomotives into, in any form, the use of
18 coal?

19 MR. LUMMIS: I beg your pardon?

20 THE CHAIRMAN: When you say a diesel
21 locomotive, just what do you mean by that? Is that
22 the new type of locomotive you have on the through
23 passenger train?

24 MR. LUMMIS: Yes. Largely diesel freight
25 locomotives.

26 THE CHAIRMAN: Which run on oil as the
27 fuel?

28 MR. LUMMIS: Yes.

29 THE CHAIRMAN: Is it possible to convert
30



1 that in any form into coal?

2 MR. LUMMIS: I would say, no, sir, not under
3 the present construction.

4 THE CHAIRMAN: What I want to get at
5 is what is the probable business prospect of the non-
6 use of coal?

7 MR. LUMMIS: Well, as we say, sir, we
8 feel at the moment that the long-range prospect is
9 diesel power.

10 THE CHAIRMAN: Well, the long-range --
11 can you give me a minimum of that in a long-range
12 sense?

13 MR. LUMMIS: Well, we discussed this with
14 our research department and we didn't get anything
15 definite in that respect. Now, to us, we are
16 thinking in terms, perhaps, of 10 years minimum but
17 it would depend largely on the results of these
18 experiments and developments which are taking place.

19 THE CHAIRMAN: Well, again, I ask you
20 what experiments -- experiments in what?

21 MR. LUMMIS: In other types of power.

22 THE CHAIRMAN: What are they?

23 MR. LUMMIS: Turbine, sir, is all I am
24 aware of.

25 THE CHAIRMAN: That is not the power.
26 That is the motive utilizing power.

27 MR. LUMMIS: Yes, it moves the fuel.

28 THE CHAIRMAN: I am talking about the
29 fuel.
30



1 MR. LUMMIS: I would say the trend is
2 definitely oil and will continue that way for an
3 indefinite period.

4 THE CHAIRMAN: Do you know anything about
5 the obsolescence factor in this new equipment that
6 you have put on the railway? How long will one
7 of these locomotives last?

8 MR. LUMMIS: I would judge in the
9 vicinity of 20 years, 15, 20 years.

10 THE CHAIRMAN: Is that all? What
11 life has the steam locomotive?

12 MR. LUMMIS: I guess 40, 45 years,
13 thereabouts. Possibly diesels might last that long.

14 THE CHAIRMAN: Is there anything to
15 suggest that the diesel won't, when it runs from
16 Montreal to Vancouver? You will get a greater
17 utilization of it?

18 MR. LUMMIS: Yes, to the same extent.

19 THE CHAIRMAN: You get more mileage out
20 of the individual locomotive?

21 MR. LUMMIS: Yes, but as I say, a diesel
22 locomotive is capable of operating practically
23 continuously with less time out for servicing.

24 THE CHAIRMAN: Would it be fair to take
25 an inference from that that your diesel has a longer
26 expectation of life than the steam locomotive?

27 MR. LUMMIS: Well, not being an engineer,
28 sir, I can't directly answer that question. I
29 would estimate that the diesel locomotive would last on
30



1 average as long as the steam locomotive.

2 THE CHAIRMAN: You might let us have an
3 estimate of that on diesel.

4 MR. LUMMIS: Yes.

5 THE CHAIRMAN: These are all business
6 judgments?

7 MR. LUMMIS: Yes, sir.

8 THE CHAIRMAN: Also, on the practical
9 view you take of the continuance of the use of oil.
10 It obviously will depend upon the supply of oil,
11 but you must have some idea, or at least, some opinion
12 of the period during which oil will be in sufficient
13 supply?

14 MR. LUMMIS: Yes.

15 THE CHAIRMAN: All I want to know is what
16 has the coal industry to look forward to?

17 MR. LUMMIS: As far as we are concerned,
18 it is a diminishing requirement.

19 THE CHAIRMAN: Indefinitely?

20 MR. LUMMIS: Yes, sir.

21 THE CHAIRMAN: And you would not go to
22 coal unless you got some better utilizable fuel?

23 MR. LUMMIS: It will be a matter of the
24 economics involved and the extent to which we convert.
25 Speaking of stationary plants, for example, there
26 is oil and gas in competition with coal. As you
27 move further away from the sources of coal, it becomes,
28 of course, more advantageous to use one of the other
29 fuels.
30



1 THE CHAIRMAN: You think there is a
2 difference between the utilization of one or the other
3 fuel in stationary consumption from that of operating
4 consumption in the locomotive?

5 MR. LUMMIS: Well, in the stationary
6 heating, of course, our study is made of each
7 installation to be replaced or new installation.
8 studies are made of that particular installation with
9 a view to determining what is the most economic type
10 of fuel to use under their peculiar conditions.

11 THE CHAIRMAN: I would like to know
12 just what your company has in mind as to the contin-
13 uance of the present utilization of oil; to give some
14 definiteness to the probable period of coal's
15 supercession?

16 MR. LUMMIS: Yes.

17 THE CHAIRMAN: Thank you.

18 MR. ELLIS: The second presentation will
19 be by Mr. A.E. Bromley on behalf of the Canadian
20 National Railway. This report will be recorded
21 as Exhibit No. 6.

22
23 ---EXHIBIT No. 6: Submission of the Canadian
24 National Railway.
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SUBMISSION OF
THE CANADIAN NATIONAL RAILWAY

APPEARANCES:

Mr. A.E. Bromley Vice-president of the
Canadian National Railway

MR. BROMLEY: Mr Commissioner, Members
of the Royal Commission, Gentlemen I have a
statement which I will read and which will be filed
as an exhibit.

Due to its geographic position, coal has
been purchased in the past by Canadian National
Railways from eastern and western Canada and from the
United States. The policy of the Railway has been
to use Canadian coal when obtainable and wherever its
use could be economically justified.

Statements, as under, are attached, and
form a part of this report:

No. 1. Coal consumption by C.N.R.

No. 2. Statement showing origin of coal purchased
for C.N.R. lines in Canada.

No. 3. C.N.R purchases of coal from various
provinces.

No. 4. Tonnages of Canadian coal purchased by
C.N.R. on which subventions were paid.

The consumption figures given in Statement
No. 1 are self-explanatory, in reflecting a lower
consumption during the depression years of the thirties,



1 expanding to a peak consumption during the Second
2 World War, and latterly declining as a result of
3 dieselization. A comparison of consumption during
4 each of the years 1950 to 1959 more graphically
5 illustrates the rapidly declining consumption with
6 the advent of diesel power.

7 The transition to oil fuel has not been
8 limited to locomotive consumption alone but spreads
9 over to power plants, station heating facilities, etc.

10 Statements Nos. 2 and 3 show origin of
11 coal by country; and, in the case of Canadian purchases,
12 by provinces. Again, the figures are self-
13 explanatory.

14 Statement No. 4 shows the quantities of
15 coal which have been purchased on which we have
16 received subvention assistance, and which presumably
17 would have been purchased in the United States had
18 this assistance not been available.

19 It should be borne in mind that the sub-
20 ventions do not benefit the Railway but are for the
21 account of the coal companies, to enable them to meet
22 competitive prices at various points.

23 Beyond 1960 it is anticipated that our
24 consumption over the next few years should stabilize
25 at from 250,000 to 300,000 tons of coal, mostly for
26 power-house use. All other plants are being examined
27 from an economic point of view, but it appears that
28 there will be justification for maintaining coal-
29 burning equipment at a number of major consuming points.
30



1 It is likely that of this continuing tonnage re-
2 quirement, probably 50% will be required from mines
3 in Eastern Canada and the balance from the West,
4 provided subvention assistance continues to be
5 available and the coal is obtainable in the proper
6 size and quality from Canadian sources

7 It is unlikely that we will revert to
8 use of coal-burning locomotives in the foreseeable
9 future, unless and until the coal-burning turbine is
10 developed to the point where it is a more economical
11 locomotive to use than the present diesel locomotive.

12 It will be evident from the above that
13 the Canadian National Railways are no longer large
14 coal consumers in Canada; nevertheless, we are, and
15 will continue to be vitally interested in the coal
16 industry from the point of view of traffic which might
17 move via our lines, and for which we are well prepared
18 to handle.

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22 Office of Vice-President Purchase & Stores
23 February 5, 1960.
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STATEMENT NO. 1

GOAL CONSUMPTION BY C.N.R. - 1930 - 1952

19

YEAR	ATLANTIC	CENTRAL	CENTRAL		G. T. W.	WESTERN	SYSTEM	CONSUMED IN	
			VERMONT	VERMONT				CANADA	U. S.
1930	737,000	2,369,000	149,000	613,000	1,488,000	5,356,000	4,456,000	900,000	
1931	631,000	1,922,000	132,000	502,000	1,238,000	4,425,000	3,698,000	727,000	
1932	489,000	1,597,000	109,000	415,000	1,164,000	3,774,000	3,174,000	600,000	
1933	468,000	1,485,000	108,000	430,000	1,053,000	3,544,000	2,929,000	615,000	
1934	570,000	1,663,000	115,000	478,000	1,090,000	3,916,000	3,239,000	677,000	
1935	534,000	1,651,000	120,000	525,000	1,148,000	3,978,000	3,246,000	732,000	
1936	543,000	1,815,000	131,000	580,000	1,207,000	4,276,000	3,467,000	809,000	
1937	610,000	1,943,000	134,000	599,000	1,121,000	4,407,000	3,573,000	834,000	
1938	558,000	1,773,000	113,000	482,000	1,115,000	4,041,000	3,359,000	682,000	
1939	595,000	1,897,000	123,000	532,000	1,231,000	4,378,000	3,625,000	753,000	
1940	825,000	2,237,000	131,000	591,000	1,370,000	5,154,000	4,321,000	833,000	
1941	978,000	2,713,000	159,000	628,000	1,586,000	6,064,000	5,148,000	916,000	
1942	1,175,000	3,144,000	159,000	536,000	1,656,000	6,670,000	5,845,000	825,000	
1943	1,228,000	3,510,000	189,000	605,000	1,945,000	7,477,000	6,540,000	937,000	
1944	1,201,000	3,137,000	174,000	576,000	2,071,000	7,159,000	6,263,000	896,000	
1945	1,232,000	3,308,000	172,000	620,000	2,226,000	7,558,000	6,625,000	933,000	
1946	1,129,000	3,276,000	157,000	610,000	2,076,000	7,248,000	6,357,000	891,000	
1947	1,118,000	3,568,000	159,000	647,000	2,187,000	7,679,000	6,742,000	937,000	
1948	1,149,000	3,549,000	160,000	526,000	2,229,000	7,613,000	6,798,000	815,000	
1949	1,058,000	3,125,000	139,000	335,000	2,213,000	6,870,000	6,294,000	576,000	
1950	1,025,000	3,096,000	144,000	417,000	1,972,000	6,654,000	5,975,000	679,000	
1951	1,007,000	3,182,000	146,000	394,000	1,973,000	6,702,000	6,035,000	667,000	
1952	891,000	2,912,000	128,000	347,000	1,975,000	6,253,000	5,652,000	601,000	
1953	738,000	2,673,000	63,000	354,000	1,502,000	5,330,000	4,798,000	532,000	
1954	591,000	2,362,000	52,000	303,000	1,110,000	4,418,000	3,949,000	469,000	
1955	513,000	2,195,000	45,000	277,000	813,000	3,843,000	3,420,000	423,000	
1956	528,000	2,136,000	47,000	273,000	915,000	3,899,000	3,504,000	395,000	
1957	283,000	1,428,000	17,000	140,000	632,000	2,500,000	2,336,000	164,000	
1958	73,000	703,000	4,000	76,000	295,000	1,151,000	1,069,000	82,000	
1959	59,000	234,000	4,000	45,000	206,000	548,000	497,000	51,000	

STATEMENT NO. 2STATEMENT SHOWING ORIGIN OF COAL PURCHASEDFOR C.N.R. LINES IN CANADA - 1930 - 1959

<u>YEAR</u>	<u>CANADIAN</u>	<u>BRITISH</u>	<u>U. S.</u>	<u>TOTAL</u>
1930	2,663,000	8,000	1,681,000	4,352,000
1931	2,216,000	-	1,487,000	3,703,000
1932	2,002,000	-	1,240,000	3,242,000
1933	2,248,000	-	902,000	3,150,000
1934	2,648,000	-	1,086,000	3,734,000
1935	2,514,000	-	988,000	3,502,000
1936	2,587,000	-	1,155,000	3,742,000
1937	2,680,000	-	1,449,000	4,129,000
1938	2,400,000	-	1,320,000	3,720,000
1939	2,920,000	-	1,047,000	3,967,000
1940	3,312,000	34,000	1,741,000	5,087,000
1941	3,139,000	-	3,228,000	6,367,000
1942	2,843,000	-	3,665,000	6,508,000
1943	2,178,000	-	4,717,000	6,895,000
1944	2,296,000	-	4,460,000	6,756,000
1945	2,118,000	-	4,010,000	6,128,000
1946	2,270,000	-	3,910,000	6,180,000
1947	1,733,000	-	5,198,000	6,931,000
1948	2,123,000	-	4,585,000	6,708,000
1949	2,237,000	-	2,493,000	4,730,000
1950	2,437,000	-	4,278,000	6,715,000
1951	1,950,000	-	4,571,000	6,521,000
1952	1,707,000	-	3,602,000	5,309,000
1953	1,694,000	-	2,915,000	4,609,000
1954	934,000	-	2,105,000	3,039,000
1955	676,000	-	2,110,000	2,786,000
1956	607,000	-	3,269,000	3,876,000
1957	369,000	-	1,278,000	1,647,000
1958	299,000	-	492,000	791,000
1959	242,000	-	222,000	464,000

Office of Vice-President Purchases & Stores,
February 5, 1960.

STATEMENT NO. 3

C.N.R. PURCHASES OF COAL FROM VARIOUS PROVINCES - 1930 - 1959

	NOVA SCOTIA	NEW BRUNSWICK	SASKATCHEWAN	ALBERTA	BRITISH COLUMBIA	T O T A L
1930	1,274,000	92,000	32,000	1,214,000	51,000	2,663,000
1931	1,125,000	73,000	31,000	956,000	31,000	2,216,000
1932	755,000	94,000	36,000	1,088,000	29,000	2,002,000
1933	1,074,000	123,000	32,000	991,000	28,000	2,248,000
1934	1,417,000	113,000	39,000	1,052,000	27,000	2,648,000
1935	1,196,000	137,000	39,000	1,114,000	28,000	2,514,000
1936	1,253,000	131,000	51,000	1,118,000	34,000	2,587,000
1937	1,340,000	117,000	79,000	1,114,000	30,000	2,680,000
1938	1,135,000	106,000	83,000	1,040,000	36,000	2,400,000
1939	1,500,000	145,000	82,000	1,167,000	26,000	2,920,000
1940	1,466,000	163,000	96,000	1,569,000	17,000	3,311,000
1941	1,257,000	142,000	123,000	1,557,000	60,000	3,139,000
1942	1,215,000	98,000	85,000	1,420,000	25,000	2,843,000
1943	956,000	70,000	94,000	1,057,000	-	2,177,000
1944	845,000	47,000	123,000	1,280,000	1,000	2,296,000
1945	682,000	52,000	117,000	1,261,000	6,000	2,118,000
1946	804,000	33,000	104,000	1,327,000	2,000	2,270,000
1947	415,000	37,000	97,000	1,183,000	1,000	1,733,000
1948	882,000	73,000	99,000	1,067,000	2,000	2,123,000
1949	718,000	76,000	98,000	1,340,000	5,000	2,237,000
1950	1,107,000	79,000	123,000	1,126,000	2,000	2,437,000
1951	960,000	84,000	115,000	791,000	-	1,950,000
1952	670,000	63,000	98,000	876,000	-	1,707,000
1953	680,000	78,000	102,000	834,000	-	1,694,000
1954	463,000	58,000	105,000	308,000	-	934,000
1955	388,000	65,000	112,000	111,000	-	676,000
1956	310,000	67,000	116,000	114,000	-	607,000
1957	162,000	13,000	107,000	87,000	-	369,000
1958	120,000	9,000	94,000	76,000	-	299,000
1959	47,000	21,000	92,000	82,000	-	242,000

STATEMENT NO. 4

TONNAGES OF CANADIAN COAL PURCHASED BY C.N.R.

ON WHICH SUBVENTIONS WERE PAID

	NOVA SCOTIA	NEW BRUNSWICK	SASKATCHEWAN	ALBERTA	TOTAL CANADA
1930-1931	-	-	-	17,000	17,000
1931-1932	89,000	-	6,000	17,000	112,000
1932-1933	15,000	-	4,000	8,000	27,000
1933-1934	688,000	-	12,000	55,000	755,000
1934-1935	881,000	-	-	-	881,000
1935-1936	572,000	-	-	-	572,000
1936-1937	623,000	-	-	9,000	632,000
1937-1938	612,000	-	-	-	612,000
1938-1939	502,000	-	-	-	502,000
1939-1940	978,000	-	8,000	88,000	1,074,000
1940-1941	112,000	-	22,000	227,000	361,000
1941-1942	-	-	17,000	198,000	215,000
1942-1943	-	-	12,000	85,000	97,000
1943-1944	-	-	15,000	3,000	18,000
1944-1945	-	-	15,000	3,000	18,000
1945	-	-	14,000	20,000	34,000
1946	-	-	14,000	28,000	42,000
1947	-	-	10,000	4,000	14,000
1948	9,000	-	14,000	8,000	31,000
1949	133,000	-	13,000	79,000	225,000
1950	179,000	-	16,000	139,000	334,000
1951	163,000	-	9,000	21,000	193,000
1952	-	-	4,000	92,000	96,000
1953	174,000	15,000	8,000	375,000	572,000
1954	172,000	13,000	13,000	244,000	442,000
1955	95,000	2,000	12,000	3,000	112,000
1956	34,000	-	12,000	2,000	48,000
1957	75,000	-	14,000	2,000	91,000
1958	64,000	-	11,000	1,000	76,000
1959	22,000	2,000	15,000	1,000	40,000
Total - 30 years	<u>6,192,000</u>	<u>32,000</u>	<u>290,000</u>	<u>1,729,000</u>	<u>8,243,000</u>

Total
Amount: \$6,747,798.15 \$84,528.39 \$251,277.88 \$3,870,188.12 \$10,953,792.54

* Figures to March 31, 1945 are on basis of claims made during fiscal year. Commencing April 1, 1945 they are on calendar year basis.

Office of Vice-President Purchases & Stores
February 5, 1960.



1 MR. GUNN: Mr. Bromley, these power
2 plants, are they scattered throughout the Dominion
3 of Canada?

4 MR. BROMLEY: Yes, from east to west.

5 MR. GUNN: Are you in a position to tell
6 us about how many power plants would be, say, in
7 eastern Canada at the moment?

8 MR. BROMLEY: There are four at the
9 moment.

10 MR. GUNN: And they are located where?

11 MR. BROMLEY: Montreal, Ottawa, Stratford,
12 and London. Those are the main power plants.

13 MR. GUNN: And in the west?

14 MR. BROMLEY: In the west the main one
15 would be in Winnipeg. They are also in Edmonton
16 and Vancouver to some smaller degree.

17 MR. GUNN: Has your company done any
18 research at all in the field of the turbine development
19 from coal?

20 MR. BROMLEY: Yes. We assisted by a
21 cash contribution to McGill in the development --
22 I think the Canadian Pacific Railway did too -- in
23 the development of Mr. Mordell's coal burning gas
24 turbine but those experiments have stopped.

25 MR. GUNN: I suppose that you would
26 give a similar opinion as given by Mr. Moriarty that
27 it is not quite feasible at the moment.

28 MR. BROMLEY: Well, there is nothing
29 that we know of being developed or being experimented
30



1 with that will show the coal burning gas turbine to
2 be effective in the foreseeable future.

3 MR. GUNN: Have you many coal burning
4 locomotives in operation at the present time?

5 MR. BROMLEY: Yes, we have a few but they
6 will all come out this year We will be completely
7 dieselized this year and we intend to scrap something like
8 900 locomotives this year.

9 MR. GUNN: With reference to the heating
10 of your station houses will they be heated by coal
11 or will you switch over to oil and gas?

12 MR. BROMLEY: There are a number of them
13 heated by coal, of course, but the agents they want
14 oil because it is a little more convenient, but we
15 have been using bituminous coal heaters and we try
16 to make an economical study of the various ones and
17 provide what is the economical sound thing at each
18 point.

19 There is definitely a trend to oil and gas
20 for convenience more than anything.

21 MR. GUNN: Could you give an estimate
22 of the amount of coal, say, you would require from
23 eastern Canada in the next few years? Are you
24 in a position to do that?

25 MR. BROMLEY: Yes. I said in the
26 statement between 250,000 and 300,000, about 50 per
27 cent of that would come from eastern mines, providing
28 it is available and it is the quality we can use.
29 There have been doubts on both those points.
30



1 MR. GUNN: Thank you, Mr Bromley.

2 THE CHAIRMAN: What do you mean? That
3 you have been finding that in the east in the past?

4 MR. BROMLEY: Yes, sir, but we have never
5 always been able to obtain the quantity we wanted or
6 the quality we wanted.

7 THE CHAIRMAN: Well, did you use coal from
8 any other section of Canada in the east?

9 MR. BROMLEY: Yes, we have used coal
10 from New Brunswick.

11 THE CHAIRMAN: Well, no, but I mean have
12 you brought -- you have not used coal that was mined
13 outside of the eastern provinces for use in the
14 eastern provinces?

15 MR. BROMLEY: No, not in the eastern
16 provinces, no.

17 THE CHAIRMAN: Then, any coal you have
18 burned so far, down there, has come from there?

19 MR. BROMLEY: That is right, sir.

20 THE CHAIRMAN: I don't quite understand
21 the condition that you put to that if.

22 MR. BROMLEY: For instance, at Montreal
23 now, where we should be burning Nova Scotia coal we
24 are not, because the company can't give it to us.

25 THE CHAIRMAN: Why not?

26 MR. BROMLEY: Well, I can't answer that
27 for them.

28 THE CHAIRMAN: In what respect is it not
29 satisfactory?
30



1 MR. BROMLEY: Well, I think it is a
2 little too fine and the quality hasn't been just what
3 it should be.

4 THE CHAIRMAN: You mean the B.T.U.
5 content?

6 MR. BROMLEY: We have had considerable
7 trouble with foreign matter in it and I think we have
8 also had -- it is a little too fine.

9 THE CHAIRMAN: What use did you make of
10 it, or are you making of it?

11 MR. BROMLEY: It is in power plants used
12 at Point St. Charles.

13 THE CHAIRMAN: I suppose power plants are
14 all using powdered coal?

15 MR. BROMLEY: Yes.

16 THE CHAIRMAN: Coal does seem to have some
17 advantage in that form for use for power purposes?

18 MR. BROMLEY: That is right. As I
19 said in the memorandum we see a continuing use for
20 power with coal.

21 THE CHAIRMAN: And that would seem to be
22 the weakness of coal utilization in locomotives; you
23 do not use it as powder?

24 MR. BROMLEY: No. It is not as economical
25 as fuel as the diesel.

26 THE CHAIRMAN: Is it along that principle
27 that these experiments have been carried out at McGill,
28 to see if you could utilize, say, a powdered coal in
29 any form?
30



1 MR. BROMLEY: The experiments at McGill
2 University were to devise a coal burning gas turbine.
3 In other words, converting coal into gas, ash forms
4 which impinges on the blading pitting them and
5 building up a deposit ruining them.

6 THE CHAIRMAN: You make use of the gas
7 as arising?

8 MR. BROMLEY: Yes, but the trouble with
9 it, as I understand it, has been the blading is
10 pitted with the fly ash contained in the gas from
11 the coal.

12 THE CHAIRMAN: Then, if they could
13 eliminate that ash -- ?

14 MR. BROMLEY: Yes. That is why most
15 of the turbines today, gas turbines are oil.

16 THE CHAIRMAN: No coal will satisfy
17 that?

18 MR. BROMLEY: I know that in our research
19 department they do not know of any coal burning gas
20 turbine that is working satisfactorily.

21 THE CHAIRMAN: All I mean is if it is
22 due to ash you may be able to obtain some quality of
23 coal that will have a minimum of ash. I don't mean
24 in the east. I mean anywhere.

25 MR. BROMLEY: You are getting a little
26 technical; over my head. I am not an engineer; but
27 when the coal is burned it provides gas and that gas
28 contains particles which ruin the blade of the
29 turbine.
30



1 THE CHAIRMAN: Sometimes when you meet
2 the fusion point of that ash you do have deposits?

3 MR. BROMLEY: That is right, and they
4 build up.

5 THE CHAIRMAN: I suppose the deposit
6 is on the turbine?

7 MR. BROMLEY: On the turbine, and it
8 builds up, yes.

9 THE CHAIRMAN: That is, these deposits
10 build up? MR. BROMLEY: Yes and also pits it, and
11 ruins it naturally.

12 THE CHAIRMAN: Like an incrustation?

13 MR. BROMLEY: It comes in at high pressure
14 and actually erodes it.

15 THE CHAIRMAN: I suppose there will be
16 a chemical action there of some kind?

17 MR. BROMLEY: There will be as well, yes.

18 THE CHAIRMAN: You might be in a position
19 to give me perhaps the figures of the monies that
20 have been invested in your new locomotive equipment.

21 MR. BROMLEY: Well, I haven't got the figures
22 but I can give you a rough guess, estimate. It
23 wouldn't be too far out. It would be somewhere
24 between 2 and 300 million dollars.

25 THE CHAIRMAN: And in your practical
26 forecasts of the future how long do you consider that
27 this investment will carry you?

28 MR. BROMLEY: There will be normal
29 attrition, of course, but I would say somewhere around
30 25 years.

THE CHAIRMAN: I suppose the estimates of



1 oil are much beyond that?

2 MR. BROMLEY: Yes. Speaking of oil,
3 we cannot see any possibility of oil being out of
4 the picture within 25 years.

5 THE CHAIRMAN: And the same with gas?

6 MR. BROMLEY: And the same with gas, yes.

7 THE CHAIRMAN: Thank you.

8 MR. GUNN: One more question, please.
9 You mentioned there about the coal that you were
10 getting from, as I took it, the Dominion Coal Company
11 Limited that you were using in the power plants as
12 being a little too fine, and also containing foreign
13 matter. Now, did you complain to the company
14 about that?

15 MR. BROMLEY: Very definitely.

16 MR. GUNN: What was the reply, please?

17 MR. BROMLEY: Their reply was that they
18 were very sorry. They were doing everything possible.
19 They installed magnets on their screening equipment
20 at Windmill Point; have done everything possible to
21 try to get rid of it but the coal is very fine. I
22 think the trouble is the mechanical miners chew it
23 up pretty fine. It freezes and they have difficulty
24 getting it out, and all in all they have said, please,
25 for the time being get coal from United States
26 sources which we are doing at the moment. We have
27 an open order in effect to supply coal and they will
28 supply it when they can. I would like to emphasise
29 it is at their request, not ours.
30



1 MR. GUNN: I understand. Thank you.

2 THE CHAIRMAN: I understood that the
3 company, because of the effect of the miner, of that
4 nature, has introduced another feature to the matter.
5 Are you aware of that?

6 MR. BROMLEY: Well, you mean the
7 mechanical miner?

8 THE CHAIRMAN: Yes.

9 MR. BROMLEY: Yes, I am aware of it.

10 THE CHAIRMAN: They have introduced a
11 new feature that will minimise that, the extent of
12 the smalls.

13 MR. BROMLEY: I think they have had
14 complaints about the fines and are experimenting to
15 enable them to make a blockier coal, yes.

16 THE CHAIRMAN: Did this condition
17 exist before the miner was brought into use?

18 MR. BROMLEY: That coal is friable, yes.

19 THE CHAIRMAN: There always has been
20 some degree of that?

21 MR. BROMLEY: That is right.

22 THE CHAIRMAN: Has it become greater in
23 late years?

24 MR. BROMLEY: With the advent of the
25 mechanical miner, yes.

26 THE CHAIRMAN: When did you begin
27 to take on American coal?

28 MR. BROMLEY: We have always bought --

29 THE CHAIRMAN: I mean for a substitute?
30



1 MR. BROMLEY: Within the past few weeks.

2 THE CHAIRMAN: Just a few weeks?

3 MR. BROMLEY: Yes. That is what I
4 said, if the coal were available and had the quality.
5 That is why I made the proviso.

6 THE CHAIRMAN: Generally speaking,
7 have you had good service from the company?

8 MR. BROMLEY: Yes, generally speaking,
9 I would say so.

10 THE CHAIRMAN: Thank you.

11 MR. ELLIS: The next presentation will
12 be given by Mr. George H. Whitehead on behalf of
13 the Canadian Import Company. This report
14 will be recorded as Exhibit No. 7.

15
16 ---EXHIBIT No. 7: Submission of Canadian
17 Import Company.

18 -

19 -

20 -

21 -



SUBMISSION OF
CANADIAN IMPORT COMPANY

APPEARANCES:

Mr. George H. Whitehead Vice-president of
Canadian Import Company.

MR. WHITEHEAD: Mr. Commissioner,
Members of the Commission, Gentlemen. When we
received your letter of December 3rd outlining the
purpose of this Commission, we wrote you under date
of January 4th stating our position and just what we
could do in contributing to any information you may
require.

We purchase our coal from the Dominion
Coal Company and we understand that all our purchases
will be included in their brief, so we don't want
to have any duplication. That was the reason, sir,
that we did not file; but when Mr. Buck phoned me
yesterday afternoon asking me if I would be here
and present to you an idea of the operations of
our company, I jotted down a few notes which I made
copies of, and if you don't mind sir, I will read it.

THE CHAIRMAN: Certainly.

MR. WHITEHEAD: Our company has been
in the coal business at Montreal for over fifty
years, and for an even longer period at Quebec,
serving as a distributor of many types of coal, as
well as being in the bulk stevedoring business.



1 During this time we have imported over
2 our docks large cargoes of bituminous coal from
3 the mines of the Dominion Coal Company at Cape
4 Breton, which we have distributed from our docks
5 to large industrial users in the Province of Quebec
6 and in the Eastern part of Ontario for steam purposes.
7 This requires a large sales organization.

8 On our docks we also prepare from Sydney
9 Run-of-Mine coal as many as three or four different
10 sizes of stoker coals which are sold to small
11 apartment houses and office buildings for heating
12 purposes.

13 From the United States we import various
14 sizes of American bituminous coal with a higher
15 fusion ash than our Canadian coals, which are
16 required for some types of installations where
17 Canadian coal is not suitable.

18 As well we import tonnages of American
19 bituminous low volatile, smokeless and prepared coals
20 for use in commercial and domestic stokers' where,
21 again, Canadian coal is not suitable.

22 American bituminous premium stoker
23 coals, small in size low in ash content (3% to 4%)
24 low in sulphur and with a high fusing temperature,
25 are imported for domestic heating and small
26 apartment houses, and other places, where the
27 sulphur content of Nova Scotia coal is not suitable.

28 However, we have at all times endeavoured
29 to sell Canadian coals wherever it is possible to
30 do so.



1 We have for many years imported from the
2 United States large quantities of Pennsylvania
3 Anthracite which we distribute along with the
4 stoker coals in the Provinces of Quebec and Ontario.

5 Also, we have imported for over thirty
6 years Welsh Anthracite coal which again is dis-
7 tributed through our sales organization for household
8 heating purposes.

9 If you care to ask any questions arising
10 out of that memorandum, I would be very pleased to
11 answer them.

12 MR. GUNN: Mr. Whitehead, could you
13 give us briefly your coal distribution and sales
14 pattern in Montreal. How do you operate it?

15 MR. WHITEHEAD: What do you mean, sir?
16 Do you mean do we ship it by car, rail? The
17 coal comes in generally by boat from Sydney. We
18 discharge it and place it on our dock and then ship
19 it to our customers wherever they may be, Hull.
20 Used to send to Cornwall. We don't now, and
21 Longueuil, St. Lambert, by truck, and different
22 places like that.

23 MR. GUNN: When the coal comes in
24 from Sydney is it in these self unloading ships
25 or not?

26 MR. WHITEHEAD: No, it is in bulk;
27 comes in bulk and we unload it with our tower.

28 MR. GUNN: What have you, one dis-
29 tribution centre, is it?
30



1 MR. WHITEHEAD: No, we have two towers
2 centred here for Montreal; one at Quebec, and one
3 at Chicoutimi. The Chicoutimi one is pretty
4 well closed up because electricity has come into the
5 picture down there and it has killed coal sales.
6 Cheap electricity. They have an over-abundance
7 of it down there.

8 MR. GUNN: I think you have told us
9 in your little memorandum where you get your coal.

10 MR. WHITEHEAD: That is right.

11 MR. GUNN: Are you also in the oil and
12 gas business together with coal?

13 MR. WHITEHEAD: Not gas. We are in the
14 oil business. We operate under a different basis.
15 We have a different department for the oil, you see.

16 MR. GUNN: Would you be predisposed
17 to push the oil in preference to coal?

18 MR. WHITEHEAD: No, sir, because we have
19 a dock to operate and we would rather have the coal
20 come in and go over that dock and go to our customers
21 than oil from the refinery.

22 MR. GUNN: What is the area of your
23 facilities in Montreal?

24 MR. WHITEHEAD: Wherever our docks are
25 located. They are down at Windmill Point, and
26 we have a dock down at -- a bulk dock -- down at
27 the east end where we unload bulk cargoes of iron
28 ore, sulphur, and what have you. In Quebec the
29 same thing happens. We have four or five towers,
30



1 or five or six towers which I understand you will see
2 tomorrow. You will get those.

3 MR. GUNN: Have sales of coal fallen
4 off considerably in the year 1959?

5 MR. WHITEHEAD: Yes, over the previous
6 years, that is right.

7 MR. GUNN: To what extent, sir?

8 MR. WHITEHEAD: Well, now, I would have to
9 furnish you with those figures which I would be very
10 pleased to do. I wouldn't like to take a guess at
11 it.

12 MR. GUNN: I wish you would do that.

13 MR. WHITEHEAD: What would you like to
14 know?

15 MR. GUNN: The reduction in the sale of
16 coal for the past two or three years.

17 MR. WHITEHEAD: Past two or three years?

18 MR. GUNN: Yes.

19 MR. WHITEHEAD: Make it three years or
20 two years?

21 MR. GUNN: Say three years.

22 MR. WHITEHEAD: Right, sir. I would be
23 pleased to let Mr. Buck have that information.

24 MR. GUNN: The coal that you are handling
25 now, do you have any great difficulty in getting it?

26 MR. WHITEHEAD: No.

27 MR. GUNN: And how about the grade of
28 coal that you have been receiving? I am speaking now
29 of eastern Canada.
30



1 MR. WHITEHEAD: For the purpose that
2 we want it, it works out all right. As I mentioned
3 in my memorandum we bring in one kind and are able
4 to grind that and get our little stoker coal out.
5 We find coal comes in and we grind a little of that
6 up and ship it to Hull and others. We ship it
7 out to East Angus, and Bromptonville and they have
8 powdered fuel plants there and they burn that down.

9 MR. GUNN: That would be you grinding it
10 rather than the company. Any particular reason?

11 MR. WHITEHEAD: Well, I presume when it
12 leaves the mine -- the breakage is quite extensive
13 in Sydney coal and we take, only for one customer,
14 we take out a certain portion of the fine because he
15 has a plant that will not handle that fine coal, you
16 see. Needs another coal than only fine coal.

17 MR. GUNN: It is as a result of the
18 breakage that you are forced into that position?

19 MR. WHITEHEAD: That is right.

20 MR. GUNN: Thank you, Mr. Commissioner.

21 THE CHAIRMAN: Mr. Whitehead, just what
22 are the special conditions or general conditions
23 which makes the use of the fines impossible in Montreal?

24 MR. WHITEHEAD: Well, there isn't --
25 some of the plants here, a lot of the big plants --
26 as far as we are concerned some of the fines that come
27 in here we don't have too much trouble with. We
28 distribute around to those that can burn them. Of
29 course, the Dominion Coal Company have much bigger
30



1 customers than we have.

2 THE CHAIRMAN: Has the company its own
3 docks in the city?

4 MR. WHITEHEAD: Our company?

5 THE CHAIRMAN: No, the Dominion Coal Company.

6 MR. WHITEHEAD: We both have docks beside
7 each other.

8 THE CHAIRMAN: So they have their own dist-
9 ribution centre?

10 MR. WHITEHEAD: They have their own, and
11 we have ours, yes.

12 THE CHAIRMAN: What has in general been
13 the effect upon domestic consumption?

14 MR. WHITEHEAD: You mean with Canadian?

15 THE CHAIRMAN: In the city between coal
16 and gas and oil.

17 MR. WHITEHEAD: Well, domestic consumption
18 has really gone over to oil terrifically especially
19 these little space heaters. Where they used to
20 burn 1 or 2 tons of American anthracite and Welsh, now
21 they have little 50 or 100 gallon tanks on the back
22 porch and they burn this stove oil.

23 THE CHAIRMAN: I gather then, that your
24 domestic demand for soft coal has never been very
25 great?

26 MR. WHITEHEAD: No. You mean household
27 purpose?

28 THE CHAIRMAN: Yes.

29 MR. WHITEHEAD: No, we have to bring in a
30



1 low volatile, smokeless coal which is used in smaller,
2 or big houses or smaller apartments.

3 THE CHAIRMAN: Nova Scotia coal really
4 is concerned in this city, in this district with
5 the industrial use?

6 MR. WHITEHEAD: Definitely.

7 THE CHAIRMAN: And you have indicated
8 various classes of it.

9 MR. WHITEHEAD: That is right.

10 THE CHAIRMAN: I notice apartment houses
11 and office buildings. What about the more mechanical
12 industries, how are they holding up to the use of coal?

13 MR. WHITEHEAD: Not very well. Some
14 of the big companies have switched over to gas and
15 oil, like the Dominion Bridge and Dominion Engineering
16 and people of that nature. I have just given you
17 names that you would know about that all used to burn
18 coal at one time.

19 THE CHAIRMAN: Did they burn it in the form
20 of powder?

21 MR. WHITEHEAD: Powdered fuel --
22 chain grade stokers in Northern Electric, but in
23 the olden days they never had powdered fuels; they
24 had this chain grade stoker -- the big consumers.

25 THE CHAIRMAN: That reduced coal to a
26 certain size, but it didn't powder it.

27 MR. WHITEHEAD: No, it doesn't crush it at
28 all. It just goes in there as they receive it from
29 the dock and the chain grade is so that the coal won't
30



1 fall through of that size.

2 THE CHAIRMAN: Is that change due wholly to
3 price?

4 MR. WHITEHEAD: Yes, the price --
5 principally price, that is right.

6 THE CHAIRMAN: The American coal cannot
7 compete with the gas, say, in this city here?

8 MR. WHITEHEAD: American and Sydney, both.

9 THE CHIARMAN: They have about the same
10 market level?

11 MR. WHITEHEAD: About, yes, they are
12 both -- I know that the big gas turnovers have
13 affected both Sydney and America.

14 THE CHAIRMAN: Have you made any
15 estimates of what price coal would have to be before
16 it could compete successfully with gas on the existing
17 terms?

18 MR. WHITEHEAD: We have not run up
19 against that, sir. I understand that others
20 have but we haven't because we were affected as far
21 as gas was concerned where oil was concerned. You
22 see? It was much cheaper than the oil.

23 THE CHAIRMAN: That is, it is displacing
24 oil?

25 MR. WHITEHEAD: As far as we are
26 concerned, but as far as others are concerned it
27 displaced coal because coal is very vulnerable today.

28 THE CHAIRMAN: Have you an opinion on
29 the future within the next 5 or 10 years of this
30



1 relation between gas and oil?

2 MR. WHITEHEAD: No, because my future is
3 getting to a close, you know, pretty soon so I
4 haven't.

5 THE CHAIRMAN: But your business is not.

6 MR. WHITEHEAD: No, my business is not.
7 I think there is a future for coal. I honestly do.

8 THE CHAIRMAN: Dealing with the future
9 for oil as opposed to gas, you said that gas was
10 displacing oil?

11 MR. WHITEHEAD: As soon as the gas is
12 all taken up, as far as the pipeline will be able to
13 handle it, I think that then some coal will come back
14 to its own again.

15 THE CHAIRMAN: How then is coal going
16 to hold up against oil?

17 MR. WHITEHEAD: Of course that is a \$64
18 question. That is pretty hard to answer. Well
19 of course, you know, it all depends with the oil
20 whether there is a surplus or whether that is in
21 short supply or long supply. We are hoping that
22 the Borden report will have some means of controlling
23 that, if it is carried out, instead of letting some
24 of this cheap foreign oil come in.

25 THE CHAIRMAN: Then, you haven't
26 reached any conceivable form in which the coal
27 utilization can be extended by any kind of improve-
28 ment by the introduction of any other factor?

29 MR. WHITEHEAD: No, we haven't. We have
30



1 no research department or anything like that.

2 THE CHAIRMAN: At the present time what,
3 generally speaking, is your market here for eastern
4 coal in quantity?

5 MR. WHITEHEAD: Well, as I said, I
6 would be very pleased to furnish you with that
7 information.

8 THE CHAIRMAN: I was thinking more or
9 less of quantities that you are bringing up or you
10 are importing.

11 MR. WHITEHEAD: That will be included in
12 it.

13 THE CHAIRMAN: Perhaps you might en-
14 lighten me on this: How does sulphur affect the
15 ordinary use of coal for heating purposes?

16 MR. WHITEHEAD: Well, I don't know.

17 THE CHAIRMAN: You mentioned here low
18 in sulphur.

19 MR. WHITEHEAD: Yes, that is in small
20 apartment houses, you see. Sulphur is not too
21 great a factor because these low volatile coals have
22 very little sulphur in them anyway, you see, so that
23 isn't too great a factor.

24 They used to complain about the sulphur
25 in the Sydney coal but some of the oils that are
26 coming in here today are just as high in sulphur as
27 Sydney coal and still they are using it.

28 THE CHAIRMAN: And still they are
29 using it for heating purposes?
30



1 MR. WHITEHEAD: Yes, for industrial
2 purposes.

3 THE CHAIRMAN: Is industry generally,
4 when it uses coal, resorting to powdered form?

5 MR. WHITEHEAD: Yes, in big installations
6 that have been installed to-day, as far as I know
7 can turn over to coal, oil or gas. The equipment
8 is made for that purpose; mostly gas and oil but
9 they can still blow coal in as well.

10 THE CHAIRMAN: Is that mechanism for
11 powdered coal an expensive one?

12 MR. WHITEHEAD: Yes. These big
13 powder fuel plants run into a tremendous price, yes.

14 THE CHAIRMAN: Do you powder coal?

15 MR. WHITEHEAD: No. I must have
16 misunderstood your question. What did you say?
17 These big plants -- do they cost a lot of money?

18 THE CHAIRMAN: No, the mechanism that
19 powders the coal. How do they powder coal?

20 MR. WHITEHEAD: They have crushers there.

21 THE CHAIRMAN: At each plant?

22 MR. WHITEHEAD: Each plant has its
23 crusher and crushes it down to whatever size they
24 want.

25 THE CHAIRMAN: Does that involve a
26 substantial investment?

27 MR. WHITEHEAD: Quite a bit, yes. It
28 is a part of the powder fuel equipment. What amount,
29 I don't know. I would have to get that information.
30



1 THE CHAIRMAN: I suppose different
2 size to suit different industries?

3 MR. WHITEHEAD: They have ball mills
4 at different kinds of mills with big balls that
5 crush the stuff.

6 THE CHAIRMAN: It would be in the lower
7 consumption, such as apartment houses and office
8 buildings where they would not use that?

9 MR. WHITEHEAD: No, they wouldn't use
10 that coal.

11 THE CHAIRMAN: Is there any sign in the
12 larger apartment houses and buildings that they are
13 going over to gas and oil?

14 MR. WHITEHEAD: Yes.

15 THE CHAIRMAN: What is your opinion as
16 to the extent of that tendency?

17 MR. WHITEHEAD: Well, you see, it does
18 away -- it makes it so much easier for the janitor
19 to do, you see, and they are hard to pick up. They
20 are all automatic and do not need any attention and
21 where you could have a stoker, fills it in the morning
22 and night, nevertheless he can hire a man much
23 faster if he hasn't got coal.

24 THE CHAIRMAN: After a long period of
25 that release from labour they find it impossible to
26 go back to coal?

27 MR. WHITEHEAD: Well --

28 THE CHAIRMAN: Thank you.

29 MR. GUNN: May I ask one more question?
30



1 I understood you to say that you saw a future for
2 coal?

3 MR. WHITEHEAD: I do personally.

4 MR. GUNN: Would you elaborate on that,
5 please?

6 MR. WHITEHEAD: That is a pretty hard
7 statement to make.

8 MR. GUNN: Try to answer.

9 MR. WHITEHEAD: I feel that out at
10 Fort William, for instance, is a case of a big pulp
11 and paper mill out there that used to burn about half
12 a million tons of coal. Today, gas is going in
13 there. We lost our portion, whatever it was, we
14 had up there.

15 THE CHAIRMAN: Where was this?

16 MR. WHITEHEAD: Out around Fort William,
17 Thunder Bay, Red Rock and all those places, about
18 half a million tpns of American coal mostly. I
19 figure that in about 6 or 7 years from now that coal
20 will be back there again, because the gas will have
21 gone up and will be gas mostly in the domestic uses,
22 being used for the domestic uses, for domestic purposes,
23 unless they build another pipe line. I don't know.
24 That is what I feel about it. I think as soon as
25 the gas people are satisfied and if the oil people
26 can ever get satisfied there is a future for coal.
27 I honestly believe it. It might just be wishful
28 thinking on my part, because I have been in the
29 business for 45 years. I would like to go out of
30



1 it thinking that.

2 MR. GUNN: With reference to the future
3 of coal, then, would that be applicable to the Sydney
4 coal?

5 MR. WHITEHEAD: Yes, certainly.

6 MR. GUNN: And the west also?

7 MR. WHITEHEAD: Yes, I think there is a
8 future for coal.

9 MR. GUNN: What is your margin of profit
10 on the sale of coal?

11 MR. WHITEHEAD: I can see some of my
12 competitors.

13 MR. GUNN: Would you want that question
14 answered, Mr. Chairman?

15 MR. WHITEHEAD: I can answer it privately
16 if you like.

17 THE CHAIRMAN: You might let us know
18 confidentially.

19 MR. WHITEHEAD: Yes.

20 MR. GUNN: Just the margin of profit
21 on your sale of coal.

22 THE CHAIRMAN: What you say, I gather,
23 as between coal and gas and oil is this: The gas
24 will hold its position so long as it can be furnished
25 amply to answer any demand.

26 MR. WHITEHEAD: And with the present price
27 that seems to be going around in the city.

28 THE CHAIRMAN: It will depend largely upon
29 the development in the market of gas?
30



1 MR. WHITEHEAD: That is right.

2 THE CHAIRMAN: And oil?

3 MR. WHITEHEAD: That is right.

4 THE CHAIRMAN: I think it is assumed
5 that their life will be larger than that of coal.

6 MR. WHITEHEAD: I think so. I honestly
7 think that coal -- I give coal another 6 or 7 years.

8 THE CHAIRMAN: Do you think 6 or 7 years
9 will be sufficient?

10 MR. WHITEHEAD: I feel we will get back
11 again into coal. I don't know, maybe as I said
12 before it is just wishful thinking on my part, but
13 I think there is a future for coal.

14 THE CHAIRMAN: What is your opinion as
15 to the likelihood of the price of gas going up
16 gradually?

17 MR. WHITEHEAD: It will definitely.
18 That is, if they don't build another pipeline.

19 THE CHAIRMAN: That deals with quantity.
20 I am dealing more or less with the price.

21 MR. WHITEHEAD: It has got to go up.

22 THE CHAIRMAN: Why?

23 MR. WHITEHEAD: If we read all the
24 statements we see in the papers, read the stories of
25 the gas people over the next 4 or 5 years.

26 THE CHAIRMAN: What are the gas people
27 suggesting?

28 MR. WHITEHEAD: The companies -- they
29 put the statements -- they are available to the public --
30



1 what they are going to make over the next 5 years.

2 THE CHAIRMAN: To make in the way of
3 profits?

4 MR. WHITEHEAD: Yes, that is right.

5 THE CHAIRMAN: That is, they have an
6 investing public they want to satisfy instead of a
7 consuming public?

8 MR. WHITEHEAD: Well, it is a business
9 proposition. You can get that information, you
10 know.

11 THE CHAIRMAN: I suppose the supply of this
12 city is under the direction of a local distributing
13 company, is it?

14 MR. WHITEHEAD: Gas?

15 THE CHAIRMAN: Yes.

16 MR. WHITEHEAD: Only one, that is the
17 Quebec Natural Gas Company.

18 THE CHAIRMAN: Does it take all, for
19 instance, of the western gas that comes in?

20 MR. WHITEHEAD: That is right; as far
21 as I know, now. I don't know; I am just saying
22 this as my idea. We have had a lot of trouble
23 here with explosions, you know. You have read it
24 in the paper.

25 THE CHAIRMAN: I don't know.

26 MR. WHITEHEAD: They tried to wipe out
27 Ottawa.

28 THE CHAIRMAN: Explosions of what kind?

29 MR. WHITEHEAD: They tried to wipe out
30



1 Ottawa but they weren't successful so they moved
2 to Montreal.

3 THE CHAIRMAN: You are speaking of gas
4 explosions or financial explosions?

5 MR. WHITEHEAD: Gas explosions, but I
6 don't think that should be in the record.

7 THE CHAIRMAN: You spoke, Mr. Whitehead,
8 of the electricity in the Chicoutimi district. Would
9 you mind just elaborating on that?

10 MR. WHITEHEAD: I don't know too much about
11 it. All I know is we have lost business, like
12 St. Lawrence Paper Corporation at Dolbeau. They
13 burn about 40 or 50 thousand tons of coal. They
14 are using electricity today.

15 The Consolidated Paper Company of Port
16 Alfred, they are using electricity today.

17 THE CHAIRMAN: That is Hydro electricity?

18 MR. WHITEHEAD: That is right. We
19 are not getting the business. We didn't have the
20 business. We just had the handling of it.

21 THE CHAIRMAN: This is a regular supply
22 of electricity?

23 MR. WHITEHEAD: I think it is a surplus.
24 I don't know.

25 THE CHAIRMAN: A surplus?

26 MR. WHITEHEAD: Yes. Maybe just an over-
27 supply. I couldn't answer that question.

28 THE CHAIRMAN: If it is a surplus it is
29 contemplated to be permanent, isn't it?
30



1 MR. WHITEHEAD: I don't suppose so.

2 THE CHAIRMAN: That would involve some
3 change in their mechanical equipment to take that?

4 MR. WHITEHEAD: No, they have special
5 boilers for burning it. They have these little
6 electric boilers. They all seem to have them down
7 in that district, Consolidated Paper, Aluminum
8 Company, I guess, and St. Lawrence Paper. They
9 all have them.

10 THE CHAIRMAN: How do they work?

11 MR. WHITEHEAD: I am not an engineer.
12 I don't know, but they are very small compared to
13 what I have seen of them, compared to the big powder
14 fuel plants.

15 THE CHAIRMAN: Is it the direct use
16 of electricity to run their plants --

17 MR. WHITEHEAD: To make steam.

18 THE CHAIRMAN: They are using it as
19 heater fuel?

20 MR. WHITEHEAD: No, not heating; but to
21 generate steam to make their power.

22 THE CHAIRMAN: They brought their coal
23 in by water, did they?

24 MR. WHITEHEAD: Brought their coal in by
25 water. Water is cheaper. They would ship down
26 to Dolbeau. Brought the coal in by water to
27 Port Alfred and it was turned over to the Consolidated
28 Paper.

29 THE CHAIRMAN: Would that be shipped
30



1 direct from Sydney or from here?

2 MR. WHITEHEAD: Shipped from Sydney.

3 THE CHAIRMAN: Direct from Sydney?

4 MR. WHITEHEAD: That is right.

5 THE CHAIRMAN: Is there any coal being
6 sold up in that district now?

7 MR. WHITEHEAD: Very very little. There
8 is a surplus of coal around there and if there is
9 any coal being sold it is being sold from one company
10 to another.

11 THE CHAIRMAN: When did that take place?
12 Within the last two years?

13 MR. WHITEHEAD: Last 2 or 3 years, yes.

14 THE CHAIRMAN: Electricity was in there
15 before that, wasn't it?

16 MR. WHITEHEAD: Yes, but I don't know
17 if there was a surplus of it. I shouldn't be
18 talking about that electricity because I don't know
19 too much about it. All I know is we have lost orders
20 and their excuse is they are burning electricity.
21 That is all I can say.

22 THE CHAIRMAN: The production there has
23 been on for many years, hasn't it; or have they put
24 in new units?

25 MR. WHITEHEAD: The Shawinigan Water
26 and Power just completed a big plant.

27 THE CHAIRMAN: Have they extended their
28 Hydro facilities?

29 MR. WHITEHEAD: I think so. Up at
30



1 LaTuque there, I went up two years ago with the Board
2 of Trade. It wasn't completed then. It must be
3 in operation now.

4 THE CHAIRMAN: The immediate future for
5 coal is not very rosy, is it?

6 MR. WHITEHEAD: Not at the moment, but
7 I think coal has a future.

8 THE CHAIRMAN: I quite agree.

9 MR. WHITEHEAD: That is my opinion and
10 I think I give it about 7 years. I don't know.

11 THE CHAIRMAN: 7 years?

12 MR. WHITEHEAD: 7 years.

13 THE CHAIRMAN: That will result from the
14 increased cost of the use of oil and gas if it results
15 at all?

16 MR. WHITEHEAD: That is right.

17 THE CHAIRMAN: And that in turn, will
18 depend upon the quantity and the cost of bringing it
19 here.

20 MR. WHITEHEAD: That is right.

21 THE CHAIRMAN: And I suppose there is a prem-
22 ium on those prices because of their convenience in their
23 use even industrially?

24 MR. WHITEHEAD: Premium of --?

25 THE CHAIRMAN: Of gas and oil, the use
26 of gas and oil. People will prefer that even if
27 it is slightly higher because it is convenient?

28 MR. WHITEHEAD: They will in Montreal.
29 So far there hasn't been too much of a turnover, as
30



1 far as domestic is concerned, but it will come.

2 THE CHAIRMAN: I was wondering whether
3 even in industry the convenience in use will be to some
4 degree a factor?

5 MR. WHITEHEAD: Definitely. I think
6 price will be a great factor, too. There isn't much
7 difference between gas and oil as far as using it is
8 concerned.

9 THE CHAIRMAN: Is that so in Montreal with
10 the subvention?

11 MR. WHITEHEAD: With the --?

12 THE CHAIRMAN: Treating coal with sub-
13 vention cost?

14 MR. WHITEHEAD: Yes.

15 THE CHAIRMAN: Is it approximately the same
16 as gas in its ultimate use?

17 MR. WHITEHEAD: I think that the sub-
18 vention will have to definitely be raised to compete
19 in the future, the way it is going.

20 THE CHAIRMAN: They have been raised within
21 the last 2 or 3 years two or three times, haven't they?

22 MR. WHITEHEAD: Yes.

23 THE CHAIRMAN: And you think they must
24 be raised further?

25 MR. WHITEHEAD: They will have to be
26 raised further.

27 THE CHAIRMAN: What is the subvention now
28 on the coal that you have been bringing in?

29 MR. WHITEHEAD: There is a different
30



1 subvention. We would have to check that up.

2 THE CHAIRMAN: You are familiar with the
3 amount of them?

4 MR. WHITEHEAD: We have it in the office.
5 We have all those figures; I can get them for you.

6 THE CHAIRMAN: By what figure do you think
7 they will have to be increased?

8 MR. WHITEHEAD: That is something I think
9 Dominion Coal Company would have to answer.

10 THE CHAIRMAN: But you are in the market.
11 You know what the consumer is willing to pay. They
12 don't.

13 MR. WHITEHEAD: So far we have been able
14 to hold our business with any subventions that we
15 requested from the Dominion Coal Company where we
16 felt there was competition and we got a chance. I
17 don't think that applies all around.

18 THE CHAIRMAN: But is it your opinion
19 that even in the next 5 to 7 years you will have
20 to increase the subvention to hold your own or to get
21 any of the business back?

22 MR. WHITEHEAD: That all depends on
23 what happens to the price of gas and oil.

24 THE CHAIRMAN: Suppose it takes a not
25 excessive rise, how would that help you?

26 MR. WHITEHEAD: You mean if gas and oil
27 doesn't? I think you will find as your invest-
28 igation goes on that business has been lost in this
29 city where the subvention wasn't able to meet the
30



1 competition.

2 THE CHAIRMAN: That is on substantial
3 quantities of coal?

4 MR. WHITEHEAD: On substantial quantities
5 of coal, but I don't think it would be fair for me to
6 mention it.

7 THE CHAIRMAN: You are speaking generally?

8 MR. WHITEHEAD: That is right. You
9 will find that out as you investigate further into
10 the Montreal picture that business has been lost.

11 THE CHAIRMAN: Of course, you are the
12 source of that information, at least, to a great
13 extent.

14 MR. WHITEHEAD: So far it hasn't
15 affected us too much personally, you see. I have
16 got to speak from a personal point of view. I can't
17 speak for everybody.

18 THE CHAIRMAN: Now, what proportion of
19 the coal brought in from the east to Montreal do you
20 distribute?

21 MR. WHITEHEAD: That is another thing
22 I would have to check up and let you know. I think
23 we distribute quite a bit of it. You would have
24 all those figures from our suppliers. They will
25 tell you.

26 THE CHAIRMAN: But I don't know who they
27 are.

28 MR. WHITEHEAD: Dominion Coal.

29 THE CHAIRMAN: Oh, supplier, yes, I
30



1 misunderstood. Well, now, do they know all your
2 suppliers? Do they know all your customers?

3 MR. WHITEHEAD: Where we have to have
4 a subvention, definitely. In most cases we have,
5 so they must know pretty well all our customers.
6 They know who our customers are.

7 THE CHAIRMAN: They do?

8 MR. WHITEHEAD: Yes.

9 THE CHAIRMAN: Well, I suppose you
10 know those, too?

11 MR. WHITEHEAD: I hope so.

12 THE CHAIRMAN: I would just like to have
13 your opinion, because these are all only opinions
14 and they indicate trends. What is the future?
15 You spoke of a future for coal. I am trying to make
16 it a bit precise and definite.

17 MR. WHITEHEAD: That is very hard, sir.
18 That is very hard.

19 THE CHAIRMAN: Speaking generally, would
20 you say that the present subventions are inadequate?

21 MR. WHITEHEAD: Right.

22 THE CHAIRMAN: And they are inadequate
23 because of what? The price of gas and oil?

24 MR. WHITEHEAD: Yes, that is right.

25 THE CHAIRMAN: And so long as the price
26 of gas and oil remains at the present level you won't
27 sell coal unless you get more subventions?

28 MR. WHITEHEAD: With these big industrial
29 plants, yes.
30



1 THE CHAIRMAN: Have you any idea what
2 that margin would be? Supposing now I am a consumer
3 in Montreal and I am using gas and you want me to
4 take coal from you. What would you be prepared to
5 say that you would reduce to in order to obtain my
6 order and what would that mean in terms of an in-
7 creased subvention?

8 MR. WHITEHEAD: Well, we would have
9 to sit down and work each problem out. We would
10 have to sit down with you and take a problem and
11 work it out and I am pretty sure we could satisfy
12 you on that, but I don't think it would be very smart
13 for me to try and offhand just tell you.

14 THE CHAIRMAN: Take a large industrial
15 plant, one of your customers and it has switched from
16 coal to gas and you want to recover it. What do
17 you think you would have to do in order to recover it?

18 MR. WHITEHEAD: Recover it or keep it from
19 going to gas?

20 THE CHAIRMAN: No, you have lost it
21 already.

22 MR. WHITEHEAD: We have lost it? Pretty
23 hard to --

24 THE CHAIRMAN: It doesn't make any
25 difference, or to keep it. I am a large consumer
26 and I am dickering with gas. Now, what do you feel
27 that you would have to do in order to retain me as
28 a customer?

29 MR. WHITEHEAD: Well, Mr. Commissioner,
30



1 we have to sit down and give you two or three out-
2 standing examples. We would have to take the
3 subvention that we have got in the past and what
4 price we are up against. As a rule, when you have
5 been in business for a number of years your customers
6 generally stick to you and unless it is for some reason
7 they have to have gas they generally give you a chance
8 to meet the setup. You see, we would have to
9 sit down with you and take a certain customer and
10 say here we could have held this customer on coal if
11 we could have got such and such a subvention.

12 THE CHAIRMAN: Yes, I know, and it is
13 that certain thing that I would like to have a
14 general opinion on. What would it be?

15 MR. WHITEHEAD: I don't think it would
16 be right and I can't give you -- you mean in dollars
17 and cents?

18 THE CHAIRMAN: Yes.

19 MR. WHITEHEAD: I don't think that it
20 would be fair for me to tell you offhand.

21 THE CHAIRMAN: You spoke of the necessity
22 of increasing the subventions.

23 MR. WHITEHEAD: Yes.

24 THE CHAIRMAN: Can you give me anything
25 that would indicate a general level that would do that?

26 MR. WHITEHEAD: No. I would have to work
27 out each one and I am positive that you will be able
28 to get from Dominion Coal Company definite cases where
29 the subvention would have to be increased.
30



1 THE CHAIRMAN: Well, you can furnish
2 us with a list of your customers because we cannot
3 get those from the Dominion Coal if we cannot get
4 it from you.

5 MR. WHITEHEAD: Yes. You mean our
6 customers that are on subvention?

7 THE CHAIRMAN: Yes.

8 MR. WHITEHEAD: Yes.

9 THE CHAIRMAN: Those who are unable to
10 be your customers because of the subvention.

11 MR. WHITEHEAD: Yes.

12 THE CHAIRMAN: What is the business
13 characteristic of the choice between American and
14 Canadian coal on the price level? Are they about
15 the same?

16 MR. WHITEHEAD: No, Canadian coal is
17 cheaper.

18 THE CHAIRMAN: Cheaper?

19 MR. WHITEHEAD: Yes.

20 THE CHAIRMAN: Then, the choice of
21 American coal must be attributed to quality?

22 MR. WHITEHEAD: Yes. We could file with
23 you a copy of our price list, you know, on Canadian
24 and American coal from our dock.

25 THE CHAIRMAN: That is first rate; I
26 would like that.

27 MR. WHITEHEAD: I could have brought
28 that with me this morning. Copy of price list
29 for both, and you will see for yourself.
30



1 THE CHAIRMAN: And you might let us have
2 typical examples that is, of certain classes of industry
3 where you could be somewhat concrete in the estimate of
4 what might be necessary either to recover the business
5 or to retain it as related to increased subventions.

6 MR. WHITEHEAD: Could we give you a
7 typical example of the business we were able to
8 retain against gas?

9 THE CHAIRMAN: Yes. I don't care about
10 names or anything like that. I just want to
11 know what is the market condition here.

12 MR. WHITEHEAD: Yes.

13 THE CHAIRMAN: You appreciate the
14 difficulty of dealing with a problem in which there
15 are so many uncertainties, so many variables. If
16 you could just give a bit of certainty or definiteness so
17 that we could say, well, generally speaking, the sub-
18 vention would have to be increased by so much in order to
19 retain a certain contract or certain industrial consumption.

20 MR. WHITEHEAD: Would you like a concrete
21 case?

22 THE CHAIRMAN: I would.

23 MR. WHITEHEAD: All right, and then
24 you would like a general idea. Would that give
25 you a general idea?

26 THE CHAIRMAN: It might, if it were
27 a large scale and made under normal circumstances.

28 MR. WHITEHEAD: Yes. I am talking about somebody
29 who burned 75 or 100 thousand tons of coal, you see.

30 THE CHAIRMAN: Take the smaller
industries, can you say generally that they would



1 take between a range of what?

2 MR. WHITEHEAD: Let's take the Queen
3 Mary Hospital on Queen Mary Road. That is a
4 Veteran's hospital. We have to put in a subvention
5 there. That is Canadian coal, that is a Government
6 building, but they prefer Canadian coal, provide
7 them with a certain grade and price. We have to
8 get a subvention there.

9 THE CHAIRMAN: What is the quantity?

10 MR. WHITEHEAD: 4,000 tons.

11 THE CHAIRMAN: 4,000?

12 MR. WHITEHEAD: Yes.

13 THE CHAIRMAN: They range right up from
14 4 to 150,000?

15 MR. WHITEHEAD: That is right.

16 THE CHAIRMAN: We would be much obliged
17 for any assistance of that nature.

18 MR. WHITEHEAD: We are very anxious
19 to assist because we like to see Canadian coal hold
20 its own.

21 THE CHAIRMAN: Yes, I think we would all
22 like to see that. Of course, you know, we can
23 sell Canadian coal in Winnipeg if we are prepared to
24 pay a price so it is a question of what can you do
25 in the way of bolstering up a market of that sort.
26 Is there any other general remark that you would
27 like to make to support your view that it would be
28 desirable in some way or other to hold or maintain
29 the existing market for eastern coal?
30



1 MR. WHITEHEAD: No, I don't think so.
2 I think that when we give you some of the specific
3 cases that you will get a good general idea.

4 THE CHAIRMAN: I suppose that the
5 American coal dominates the domestic market, I mean
6 for use?

7 MR. WHITEHEAD: Well, American coal is
8 dwindling. You mean anthracite? It is dwindling
9 all the time and we find, as I said before, the stove
10 oil installations, you know, where they used to burn
11 2 ton of coal they can have a stove oil can go in
12 there today, gas can go in there today for just
13 practically the same price and they pro rate it
14 over 5 years to pay for the heater.

15 THE CHAIRMAN: So far as your view is
16 concerned, what is the relation between quantity of
17 American bituminous that you sell and that of the
18 Canadian bituminous?

19 MR. WHITEHEAD: Oh, we sell much more
20 Canadian coal than American coal.

21 THE CHAIRMAN: To what extent?

22 MR. WHITEHEAD: Quite a large extent.
23 You will have those figures here but our business
24 is primarily coal, Quebec and Montreal and Chicoutimi
25 outside of the anthracite.

26 THE CHAIRMAN: I quite agree.

27 MR. WHITEHEAD: We bring in Welsh
28 anthracite, too, you know. It markets for about
29 \$38 a ton in Montreal.
30



1 THE CHAIRMAN: Has the supply of that
2 diminished?

3 MR. WHITEHEAD: Very much so. Just
4 faded away.

5 THE CHAIRMAN: There is no hope of any
6 bituminous coal supply, a public market for them?

7 MR. WHITEHEAD: No hope of any Sydney
8 coal going into private houses here, because there
9 is a smoke ordinance and all that sort of thing and
10 that would prevent it. Down in the east, I don't
11 know down there, but here, no.

12 THE CHAIRMAN: Thank you, Mr. Whitehead.
13 Are there any other submissions that any one cares to
14 make? You see, we are open for the broadest field
15 of information and it is a very important question.
16 If anybody has any observations he would like to make,
17 I want him to feel entirely free to make them. Mr.
18 Robichaud, have you any remarks you would care to
19 make?

20 MR. ROBICHAUD: No, Mr. Commissioner.
21 I am only here as an observer. I want to get the
22 feeling of what really is going on, due to the interest
23 that I have taken personally in the coal problems in
24 the last few years due to the fact of my position in
25 the House of Commons, and I do not think I would care
26 to make any comment at this point; although, as I
27 said, I am keenly interested in the problem of the
28 coal industry.

29 From what we have heard here this morning,
30



1 we can easily realise the coal industry has been
2 facing serious problems for many years. How long
3 it will last is very hard to tell. Personally,
4 I would say it may be longer than the 6 or 7 years
5 which were mentioned by Mr. Whitehead.

6 THE CHAIRMAN: Well, thank you, Mr.
7 Robichaud. If there are no further submissions to
8 be made we will adjourn sine die.

9 MR. GUNN: Mr. Commissioner, Mr. Price
10 has asked me if he could say a few words.

11 THE CHAIRMAN: Yes, certainly.

12 MR. F.A. PRICE: I did not come prepared
13 and I am an extemperaneous speaker here, and I was
14 just sitting over here.

15 THE CHAIRMAN: Just think you are in
16 your own office.

17 MR. PRICE: I thought I might as well
18 say something along the lines. We handle --

19 THE CHAIRMAN: Who are "we", Mr. Price?

20 MR. PRICE: The F.A. Price Coal & Oil
21 Company.

22 THE CHAIRMAN: Of this city?

23 MR. PRICE: Yes, sir.

24 THE CHAIRMAN: Yes?

25 MR. PRICE: We handle all the independent
26 coal of Nova Scotia and New Brunswick in this
27 territory of Quebec and Ontario.

28 THE CHAIRMAN: Would you mind defining
29 that word "independent" for me?
30



1 MR. PRICE: I will just name the companies.
2 Anybody but the Dominion Coal Company, I guess.

3 THE CHAIRMAN: All companies other than the
4 Dominion Coal?

5 MR. PRICE: Well, there are a few
6 exceptions. We handle the Bras D'Or Coal Company,
7 and the Four Star Collieries, and the Avont Coal
8 Company of New Brunswick and we have invested money
9 in the Springhill Coal Company.

10 THE CHAIRMAN: This last venture?

11 MR. PRICE: This last venture, and of
12 course, there is no coal produced there at the moment
13 so that is irrelevant to what I am going to say now,
14 but we have found that the subventions you have put
15 into effect last March, I think it was, or April --
16 you have put our firm in the position where our sales
17 increased over 75 per cent in the last two years.
18 All of these sales increases are on pulverised fuel
19 plants.

20 THE CHAIRMAN: That is, it is pulverised
21 after it gets here?

22 MR. PRICE: We do a primary grinding at
23 the mine.

24 THE CHAIRMAN: At the mine?

25 MR. PRICE: At the mine itself, a primary
26 grinding. In other words, we will bring it down
27 to quarter inch slack to zero and then the plant
28 itself will put them through their ball mills and
29 reduce them to a powdered fuel for their own consumption
30



1 there. The quality of our coals that we are
2 handling, are far inferior to the present coals from
3 Cape Breton, Nova Scotia of Dominion Coal Company.

4 THE CHAIRMAN: Inferior?

5 MR. PRICE: Inferior in quality and in
6 BTU value. The reason why we are able to receive
7 some of these accounts, or retain them is due to your
8 subventions which brings our cost of a million BTU's
9 down to a point where we can compete against oil, but
10 at the present time some residual oils are coming in
11 here now and are getting below us, even with the
12 present subvention rate.

13 I want to say for Dominion Coal Company's
14 benefit here, there is an account they are going to
15 lose unless something is seriously done about either
16 reducing, or at least increasing the subvention.
17 I mean the Richmond Pulp and Paper. They are
18 going into oil and they are going to cart their own
19 oil from Montreal in their own trucks.

20 THE CHAIRMAN: Where is their plant?

21 MR. PRICE: Bromptonville, Quebec. It
22 is Richmond Pulp and Paper. The difference standing
23 between the oil price now and the coal price is a
24 \$100,000 investment in coal burning equipment. That
25 is the pulverising and the grinding and the dis-
26 tribution of that coal into the boiler, and they feel
27 they don't want to put up the extra \$100,000.

28 THE CHAIRMAN: It must be a very large
29 plant.
30



1 MR. PRICE: It is a large plant, yes.
2 Probably 45,000 tons. Dominion Coal Company have
3 the account now. I mean, I am just mentioning this
4 fact. We have been trying to get it and this is
5 the reason that we cannot get it, and the reason why
6 they cannot get it or retain it. If somebody can
7 find \$100,000 so they can amortize that equipment
8 over 10 years, they would stay on coal.

9 THE CHAIRMAN: Now, is that a high or
10 ordinary cost for pulverising equipment?

11 MR. PRICE: This runs around \$100,000. This is
12 irrespective of the variations in any pulverizing plant.
13 This is the actual handling equipment. That is, your con-
14 veyors into it, up to your silos and grinders and your
15 pulverizing unit itself.

16 THE CHAIRMAN: There is nothing of that
17 size in the ordinary small industry?

18 MR. PRICE: No. Our firm doesn't sell
19 retail in any shape or form. We don't even sell in
20 Montreal, sir. We are only interested in outside
21 plants, outside of Montreal and big plants where they
22 can burn pulverised fuel in it. Our coal is not
23 capable of being burned in stokers or ram type
24 stokers or even chain grade stokers. The fusion
25 temperature of our coal is around 1,900 and you can
26 understand putting a fuel 1,900 degrees fusion into
27 a stoker plant, you are just going to freeze the
28 whole thing up, goes into a liquid form but if you
29 can make the subvention or have these plants put in
30 these pulverised fuel plants you can sell a lot more
Canadian coal in this country here; a lot more.

THE CHAIRMAN: Is there anything produced



1 in Canada that can't be promoted by that means? If
2 the Government subsidies involved consumable substance
3 can't you get in any market?

4 MR. PRICE: I presume, yes.

5 THE CHAIRMAN: The question is: What
6 is the justification for increasing a subvention
7 that would be equivalent of the interest in amortizing
8 charges on a \$100,000 investment?

9 MR. PRICE: There is no reason, except
10 you are going to lose business.

11 THE CHAIRMAN: I suppose the question is
12 how we retain it?

13 MR. PRICE: I suppose. My way of
14 thinking you have to, but I don't know whether the
15 people in Canada are agreeable.

16 THE CHAIRMAN: I was thinking they would
17 really have something to say about that.

18 MR. PRICE: Naturally, they would. But
19 the present subventions you have now, enables our
20 firm, at least, to compete against gas and oil except
21 for one instance.

22 THE CHAIRMAN: How much coal in the
23 course of a year does your company handle?

24 MR. PRICE: Last year we handled 150
25 thousand tons.

26 THE CHAIRMAN: I think you told us that
27 the coal was inferior in quality to the Cape Breton
28 coal.

29 MR. PRICE: One of these mines is in Cape
30



1 Breton but is still inferior.

2 THE CHAIRMAN: On the whole is inferior.
3 I suppose the tendency now is to sell coal on the basis
4 of the BTU's?

5 MR. PRICE: We sell on a cost per million
6 BTU.

7 THE CHAIRMAN: Is that becoming general?

8 MR. PRICE: It is general with us but I
9 mean we even guarantee, have to guarantee a million
10 BTU cost.

11 THE CHAIRMAN: How would you express a
12 \$100,000 investment in terms of subventions or could
13 it be supplied by subventions?

14 MR. PRICE: Yes, it could be done that way.
15 In other words, your subvention for that territory I
16 am speaking of now, I think it is 55 per cent. Your
17 subvention territory is 70 per cent. You bring that
18 territory in the 70 per cent class you would hold it
19 against anything.

20 THE CHAIRMAN: They would make that
21 investment themselves?

22 MR. PRICE: Definitely.

23 THE CHAIRMAN: And you want that sub-
24 vention continued for how many years?

25 MR. PRICE: Have to continue it for the
26 life of \$100,000, anyway.

27 THE CHAIRMAN: What would that amount to?
28 You spoke of amortizing for a period of 10 years.

29 MR. PRICE: I would say 3 years.
30



1 THE CHAIRMAN: 3 years, would that do it?

2 MR. RPICE: I think so.

3 THE CHAIRMAN: 70 per cent of the freight
4 rate, that is rail freight rate?

5 MR. PRICE: Yes.

6 THE CHAIRMAN: I suppose you could be in
7 a much better position if they brought it for nothing?

8 MR. PRICE: It would be just wonderful,
9 wouldn't it. Anyway, the money goes into Canadian
10 National Railways pocket, doesn't it? It is a
11 Government owned concern. Instead of Canadian
12 National Railways losing \$41,000,000 probably only lose
13 \$20,000,000.

14 THE CHAIRMAN: Do you bring in New
15 Brunswick coal on Canadian National?

16 MR. PRICE: Everything is brought in by
17 rail. We don't use boats at all.

18 THE CHAIRMAN: You bring some Canadian
19 Pacific?

20 MR. PRICE: Yes.

21 THE CHAIRMAN: The Government doesn't own
22 that?

23 MR. PRICE: I realise that.

24 THE CHAIRMAN: It is in a different pocket
25 there. Are there any questions, Mr. Gunn?

26 MR. GUNN: No.

27 THE CHAIRMAN: Would anybody like to raise
28 any questions?

29 DR. CAMERON: I would like to ask Mr.

30



1 Price, do you blend those coals or make one mix that
2 you can sell, or do you sell it mixed?

3 MR. PRICE: The coal we have is pract-
4 ically identical as to analyses. We don't bother.
5 We just ship. You see, your New Brunswick coals
6 are all washed and dried which brings them into about
7 the class of our Bras D'or coal.

8 THE CHAIRMAN: What about the ash fusion
9 point?

10 MR. PRICE: It hasn't a bearing at all on
11 pulverised fuel plants, sir.

12 THE CHAIRMAN: This is your experience,
13 is it?

14 MR. PRICE: That is right. On these
15 new plants they are putting up; these new pulverised
16 fuel plants. Some of the older ones, yes, it will
17 fuse on the back wall of the boiler.

18 THE CHAIRMAN: Well, I think this is
19 rather important: It is said in some cases that
20 you design a boiler for a particular grade of coal,
21 particular quality, particular ash content and ash
22 fusion point and if you do not maintain that coal your
23 efficiency is going to be impaired materially. Is
24 that so, in the utilization of your coal today?

25 MR. PRICE: Yes, if your BTU's drop at
26 all through improper preparation.

27 THE CHAIRMAN: Assuming you maintain your
28 BTU's has the fusion point of the ash any material
29 effect upon the utilization of the coal?
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MR. PRICE: No, sir.

THE CHAIRMAN: It hasn't?

MR. PRICE: Not in my experience.

THE CHAIRMAN: Is that, from what you
said, a modern boiler?

MR. PRICE: Yes, sir. There is one being
put in now. Howard Smith Pulp and Paper in Cornwall
just finished a big installation there now, and their
specifications called for as low as 11,750 BTU's,
8 per cent sulphur.

THE CHAIRMAN: Has the BTU content any
relation to the fusion point of ash in the coal?

MR. PRICE: Normally, yes.

THE CHAIRMAN: In what way?

MR. PRICE: I mean, these coals of low
fusion usually are impregnated with pyrite of some
nature.

THE CHAIRMAN: The fusion point would
be low?

MR. PRICE: Naturally.

THE CHAIRMAN: That makes no difference?

MR. PRICE: Not in this type of plant,
sir.

THE CHIARMAN: Do you know anything about
the features of the modern boiler or furnace which
more or less disregard deposit of slag on the sides
of the fire boxes?

MR. PRICE: I am not an engineer to know
that.



1 THE CHAIRMAN: Had any trouble of that
2 sort?

3 MR. PRICE: I never had trouble. We
4 employ two combustion engineers at our firm to run
5 these tests before we even try to get an order.

6 THE CHAIRMAN: It has been suggested
7 where you meet the objectionable feature is the deposit
8 of slag or this molten ash upon your water pipes.

9 MR. PRICE: That is right.

10 THE CHAIRMAN: Have you experienced anything
11 like it?

12 MR. PRICE: These are water cooled walls.
13 No pipes in this type of furnace at all, boilers.

14 THE CHAIRMAN: Once you get to the proper
15 powder of coal and proper BTU's you are ready for use?

16 MR. PRICE: And the proper equipment.

17 THE CHAIRMAN: What equipment? That is,
18 you have a modern boiler?

19 MR. PRICE: That is right.

20 THE CHAIRMAN: You are ready for business?

21 MR. PRICE: That is right.

22 THE CHAIRMAN: You suggested possibly that
23 was not always the case. They have in some form
24 given the boiler greater capacity to absorb any of
25 these differences?

26 MR. PRICE: That is right. But if you
27 have an old fashioned type of boiler with the screw
28 feed stoker and low settings with a low fusion you
29 are going to get a deposit of molten metal in that
30



1 furnace.

2 THE CHAIRMAN: This is eliminated in the
3 modern construction?

4 MR. PRICE: That is right, completely
5 eliminated.

6 THE CHAIRMAN: And I suppose that modern
7 construction again, gives you a higher efficiency?

8 MR. PRICE: That is right.

9 THE CHAIRMAN: Then, would you say gen-
10 erally, the given BTU's of coal is equally available
11 for utilization in the form of powder?

12 MR. PRICE: That is right. One has to
13 have a plant that will spend \$2,000,000 on its
14 equipment.

15 THE CHAIRMAN: Could you in any way indicate
16 the difference between the market price of the
independent coals and that of the Dominion?

17 MR. PRICE: Well, the only standard I go by
18 is that their subvention arrangement is to meet
19 American competition. Mine is not. Mine is
20 a straight figure.

21 THE CHAIRMAN: Yours is a straight --

22 MR. PRICE: Straight percentage.

23 THE CHAIRMAN: That 55 per cent is open
24 to all?

25 MR. PRICE: If they want to ship by rail.
26 To ship by boat is a different setup entirely.

27 THE CHAIRMAN: There is a different basis?

28 MR. PRICE: That is right.

29 THE CHAIRMAN: But, so far as coal is
30



1 concerned you are in the same position?

2 MR. PRICE: That is right.

3 THE CHAIRMAN: I don't want any of your
4 confidential information right here, but I was
5 wondering; take the public price for these coals.
6 What is the difference between that produced by the
7 Dominion and that produced by the independent?

8 MR. PRICE: I couldn't tell you that.
9 I don't know, sir.

10 THE CHAIRMAN: Would you give us some infor-
11 mation on your own prices which we will treat in
12 confidence?

13 MR. PRICE: Our prices are based on the
14 BTU's, sir.

15 THE CHAIRMAN: Yes, I know, but I would
16 like to know the price which the BTU's produce.

17 MR. PRICE: Again, I will have to give
18 you specific cases, if you want them.

19 THE CHAIRMAN: I do. I suppose you do
20 have specific cases dealing with customers largely?

21 MR. PRICE: That is right.

22 THE CHAIRMAN: You do sell retail?

23 MR. PRICE: No, we do not sell a pound
24 retail.

25 THE CHAIRMAN: Then, each sale is under more
26 or less of an individual arrangement?

27 MR. PRICE: That is right.

28 THE CHAIRMAN: Give us two or three
29 illustrations to indicate this.
30



1 MR. PRICE: If we find that oil is
2 selling at 7 cents delivered or 8 cents delivered
3 we make our coal about \$10.

4 THE CHAIRMAN: What BTU? 12,000,
5 13,000?

6 MR. PRICE: We wouldn't go over twelve
7 two.

8 THE CHAIRMAN: That would roughly
9 indicate the basis of your meeting these.

10 MR. PRICE: That is right.

11 THE CHAIRMAN: Any questions that anyone
12 would like to ask?

13 MR. ROBICHAUD: With your permission,
14 I was keenly interested by a statement made by Mr.
15 Price when he said that if subventions were increased
16 from 55 to 70 per cent for a period of three years
17 that it would cover the amortization of an \$100,000
18 investment in a certain plant. Has Mr. Price any
19 idea how many tons of coal per year that plant may
20 use?

21 MR. PRICE: Approximately 35,000.

22 MR. ROBICHAUD: Is that same plant
23 presently using coal?

24 MR. PRICE: Yes, sir.

25 MR. ROBICHAUD: Of how many tons?

26 MR. PRICE: A survey has been made and we
27 have been told definitely unless we can do something
28 to bring our coal prices down that it is definitely
29 going to oil.
30



1 THE CHAIRMAN: How does your freight rate
2 run? \$4, something like that? \$3 something?

3 MR. PRICE: At what percentage? To
4 this particular plant?

5 THE CHAIRMAN: What is the freight rate?

6 MR. PRICE: To this particular plant?

7 THE CHAIRMAN: Yes?

8 MR. PRICE: \$3.75. That is the coal
9 freight rate.

10 THE CHAIRMAN: That is the coal freight
11 rate?

12 MR. PRICE: Coal freight rate. Now
13 working on 55 per cent of that.

14 THE CHAIRMAN: Of course, that wouldn't
15 clear that up in 3 years, but they are satisfied to do
16 it on those terms?

17 MR. PRICE: That is right.

18 MR. GUNN: How much time is there
19 available before that change over will be made?

20 MR. PRICE: I don't know, actually. I
21 really don't know. I haven't pursued it beyond the
22 last month. I don't know how far it has gone.
23 Maybe Mr. Macaulay can tell us. It is not my account
24 now, it is Dominion Coal Company account. I don't
25 know whether they pursued it any further. I am
26 trying to save Canadian coal.

27 THE CHAIRMAN: Well, thank you, Mr. Price.

28
29 ---Whereupon the hearing was adjourned.
30

PURCHASES OF LOCOMOTIVE COAL BY
CANADIAN PACIFIC RAILWAY COMPANY

Years 1945 - 1959 Inclusive

Year	<u>Atlantic and Eastern Regions.</u>		<u>Prairie and Pacific Regions.</u>	
	<u>Canadian Coal</u> <u>Tons</u>	<u>American Coal</u> <u>Tons</u>	<u>Canadian Coal</u> <u>Tons</u>	<u>American Coal</u> <u>Tons</u>
1945	126,108	2,282,884	1,712,362	198,851
1946	151,249	2,160,231	1,940,152	795,816
1947	109,898	2,367,197	1,724,475	873,502
1948	167,567	2,284,912	1,598,231	1,209,106
1949	106,318	2,058,913	2,285,718	347,268
1950	204,387	1,739,358	1,674,675	-
1951	235,239	1,665,688	2,199,563	207,678
1952	126,062	1,593,114	2,126,837	418,870
1953	224,805	1,420,723	1,807,869	-
1954	236,182	1,142,898	1,353,469	-
1955	276,553	1,009,696	1,064,468	-
1956	167,932	1,059,363	1,149,564	-
1957	94,707	687,680	471,849	-
1958	67,777	322,286	171,460	-
1959	38,461	208,865	106,812	-
	<u>2,333,245</u>	<u>22,003,830</u>	<u>21,367,504</u>	<u>4,051,023</u>

Prepared by:
Canadian Pacific Railway Company,
Montreal, Que.
February, 1960

CANADIAN NATIONAL RAILWAYS

PURCHASING AND STORES DEPARTMENT

P. J. Levins

158.21

OMLEY
-PRESIDENT

W. L. Shirray

MONTREAL, QUE., Feb. 10, 1960.

Mr. W. Keith Buck,
Secretary,
Royal Commission on Coal (1959),
P. O. Box 127,
Postal Station "D",
Ottawa, Ont.

Dear Mr. Buck:

Following presentation of the Canadian Pacific Railway Company statement on coal consumption at the hearing of the Rand Coal Commission yesterday, question was asked as to the sums which the railways had invested in diesel electric locomotive equipment up to December 31, 1959.

Canadian National Railways ownership of diesel electric equipment on Canadian Lines as of that date was 1,990 units, representing an investment of \$368,915,869.

Question was also raised at the hearing as to the assistance which Canadian National Railways had given Professor Mordell of McGill University in the experiments of the coal gas turbine, which were conducted commencing in 1954. I stated my recollection that the C.N.R. had made a material cash contribution. I now find that the project was financed by Federal Government assistance, and the Canadian National Railways contribution was limited to such technical advice as we were able to offer in regard to specific railway problems.

Yours truly,

Vice-President.

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